

Approved For Release : CIA-RDP59-00224A000100370004-1

84th Congress, 2d Session

House Report No. 2213

MUTUAL SECURITY ACT OF 1956

REPORT

OF THE

COMMITTEE ON FOREIGN AFFAIRS

ON

H. R. 11356

TO AMEND FURTHER THE MUTUAL SECURITY ACT
OF 1954, AS AMENDED, AND FOR OTHER PURPOSES



MAY 25, 1956.—Committed to the Committee of the Whole House
on the State of the Union and ordered to be printed

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1956

77960

Approved For Release : CIA-RDP59-00224A000100370004-1

CONTENTS

	Page
Purpose	1
Relation of mutual security program to Department of Defense budget	7
United States foreign policy in the Middle East	7
Status of Forces Treaty and agreements	9
Study of technical cooperation program	12
Provisions of the bill	12
Section 2. Military assistance	12
Section 3. Defense support	14
Section 4. Development assistance	16
Authorization (sec. 201)	16
Use of funds to carry out functions under Public Law 480 (sec. 201 (d))	17
Section 5. Technical cooperation	17
Bilateral technical cooperation (sec. 5 (a))	18
Near East and Africa	19
Asia	20
Latin America	21
Multilateral technical cooperation (sec. 5 (b))	21
Advances and grants, contracts (sec. 5 (c))	22
Section 6. Other programs	23
President's special fund (sec. 6 (a)) (MSA, sec. 401 (a))	23
Earmarking of funds (sec. 6 (b)) (MSA, sec. 402) (agricultural surpluses)	23
Joint control areas (sec. 6 (c)) (MSA, sec. 403 (b))	24
Migrants, refugees and escapees (sec. 6 (d)) (MSA, sec. 405)	25
United Nations Refugee Fund (UNREF) (par. (1))	25
United States escapee program (par. (2))	27
United Nations Children's Fund (UNICEF) (sec. 6 (e)) (MSA, sec. 406 (b))	28
Palestine refugees in the Near East (sec. 6 (f)) (MSA, sec. 407 (b))	29
Ocean freight charges (sec. 6 (g)) (MSA, sec. 409)	29
(1) Relief packages	29
(2) Agricultural surplus	30
Control Act expenses (sec. 6 (h)) (MSA, sec. 410)	31
Administrative and other expenses (sec. 6 (i)) (MSA, sec. 411)	31
Encouragement of private enterprise (sec. 6 (j)) (MSA, sec. 413 (b) (2))	32
Investment guaranties (sec. 6 (k)) (MSA, sec. 413 (b) (4))	32
Assistance to international organizations (sec. 6 (l)) (MSA, sec. 415)	38
President's Fund for Asian Economic Development (sec. 6 (m))	39
Section 6 (n).—Section 420. Food and Agriculture Organization	39
Section 7. Statement of policy	40
Section 8. General provisions	41
Transferability of funds (sec. 8 (a)) (MSA, sec. 501)	41
Availability of funds (sec. 8 (b)) (MSA, sec. 507)	41
Shipping on United States vessels (sec. 8 (c)) (MSA, sec. 509)	41
Section 9. Organization and administration	42
Delegation of power by the President (sec. 9 (a)) (MSA, sec. 521)	42
Allocation and reimbursement among agencies (sec. 9 (b)) (MSA, sec. 522)	42
Experts and consultants or organizations thereof (sec. 9 (c)) (MSA, sec. 530)	43
Exemption of personnel from certain Federal laws (sec. 9 (d)) (MSA, sec. 532)	43
Cooperation with nations and international organizations (sec. 9 (e)) (MSA, sec. 535)	44
Section 9 (f).—Section 537. Provisions on uses of funds	45

Approved For Release : CIA-RDP59-00224A000100370004-1

IV

CONTENTS

Provisions of the bill—Continued	
Section 10. Repeal and miscellaneous provisions	Page
Amendments to other laws (sec. 10 (a)) (MSA, sec. 544)	46
Section 544. (c) Redesignation of authority	46
Section 544. (d) Amendment to Surplus Property Act	46
Section 544. (e) Amendment to section 933 of the Foreign Service Act of 1946	46
Section 544. (f) Amendment of Internal Revenue Code concerning per diem of certain aliens	47
Section 544. (g) Amendment to United States Information and Educational Exchange Act of 1948—informational media guaranties	47
(1) Proposed changes	48
(2) Financing of informational media guaranty program	48
(3) The nature and scope of an informational media guaranty	49
(4) Types of media eligible for guaranty coverage	50
Definitions (sec. 10 (b)) (MSA, sec. 545)	50
Unexpended balances (sec. 10 (e)) (MSA, sec. 548)	50
Section 550. Special provision on availability of funds (sec. 10 (d))	51
Section 11. Foreign research reactor projects	Page
Authorization (sec. 11 (a))	51
Relation to Atomic Energy Act (sec. 11 (b))	51
United States cost (sec. 11 (c))	54
Dissemination of information (sec. 11 (d))	54
Changes in existing law	54

Approved For Release : CIA-RDP59-00224A000100370004-1

84TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
2d Session } No. 2213

MUTUAL SECURITY ACT OF 1956

MAY 25, 1956.—Committed to the Committee of the Whole House on the State
of the Union and ordered to be printed

Mr. RICHARDS, from the Committee on Foreign Affairs, submitted the
following

R E P O R T

[To accompany H. R. 11356]

The Committee on Foreign Affairs, to whom was referred the bill
(H. R. 11356) to amend further the Mutual Security Act of 1954, as
amended, and for other purposes, having considered the same, report
favorably thereon without amendment and recommend that the bill
do pass.

PURPOSE

This bill authorizes an appropriation of \$3,563,475,000 to carry
forward the mutual security program. This is \$1,109 million less
than the Executive request.

This is not an appropriation bill. This is a bill to implement the
foreign policy of the United States. The amounts recommended are
limitations on future appropriations. Many different programs are
authorized for many parts of the world. All of them are designed to
promote the security of the United States and of the free world.
Thus, this bill deals with "foreign aid" in terms essential to American
security.

In reporting this bill the committee is aware that the United States
is confronted with grave problems in the field of foreign affairs and
that satisfactory solutions to many of these problems have not yet
been found.

American boys are facing armed Communists across the neutral zone
in Korea. Nations such as Turkey, Iran, Vietnam, Thailand and the
National Government of the Republic of China which border upon
Communist nations, and nations such as the Philippines and Pakistan
which lie close to the Communists have committed themselves to our
side and are dependent on our continued support. The people of
West Berlin should not be abandoned after their courageous resistance

Approved For Release : CIA-RDP59-00224A000100370004-1

Approved For Release : CIA-RDP59-00224A000100370004-1

2 MUTUAL SECURITY ACT OF 1956

to Soviet threats. These and many other situations which exist in the world make it clear that we should continue the program and strive constantly to improve it.

The committee is aware that continued careful study is necessary to determine the direction the program should take in the future and how much money should be spent to finance it. But the people of the United States are united in their determination to resist international communism by all available means.

The programs authorized by this bill should gain the support of all the free nations of the world in a common effort to stop the continued encroachments of world communism.

The funds authorized in this bill, together with the funds already available from previous appropriations, and the changes in existing law which this bill provides should make it possible for us to meet our commitments to our allies, to help those newer governments which cannot continue to be free and independent without economic and technical assistance, and to take whatever other action may be necessary to counter new efforts by the men in the Kremlin and in Peiping to bring free nations and peoples under their domination.

Approved For Release : CIA-RDP59-00224A000100370004-1

MUTUAL SECURITY ACT OF 1950

TABLE I.—*Distribution of fiscal year 1957 program by region, country, title, and function based upon Executive request*

[In thousands of dollars]

Region and country	Title I—Mutual Defense Assistance			Title II Development assistance	Title III Technical Cooperation	Title IV Other Programs	Total
	Ch. 1 Military Assistance	Ch. 3 Defense Support	Title I total				
Total, all programs.....	3,000,000	1,130,760	4,130,700	170,000	157,500	507,075	4,965,275
Europe, total.....	760,471	78,700	839,171	.....	.....	12,200	851,371
Belgium-Luxembourg.....	X X	.....	X X	.....	.....	.....	X X
Denmark.....	X X	.....	X X	.....	.....	.....	X X
France.....	X X	.....	X X	.....	.....	.....	X X
Germany.....	X X	.....	X X	.....	.....	.....	X X
Italy.....	X X	.....	X X	.....	.....	.....	X X
Netherlands.....	X X	.....	X X	.....	.....	.....	X X
Norway.....	X X	.....	X X	.....	.....	.....	X X
Portugal.....	X X	.....	X X	.....	.....	.....	X X
Spain.....	X X	45,000	X X	.....	.....	.....	X X
Yugoslavia.....	X X	30,000	X X	.....	.....	.....	X X
Joint control areas.....	.....	.....	.....	.....	.....	12,000	12,000
Interregional expenses.....	1,200	1,200	.....	.....	.....	200	1,400
Western Europe technical exchange.....	2,500	2,500	.....	.....	.....	.....	2,500
Undistributed by country.....	X X	.....	X X	.....	.....	.....	X X
Near East and Africa, total.....	471,918	170,000	641,918	63,000	34,100	145,300	884,318
Egypt.....	.....	.....	.....	X X	3,800	.....	X X
Ethiopia.....	X X	.....	X X	.....	3,000	.....	X X
Greece.....	X X	X X	X X	.....	1,000	.....	X X
Iran.....	X X	X X	X X	.....	8,000	.....	X X
Iraq.....	X X	.....	X X	.....	2,300	.....	X X
Israel.....	.....	.....	.....	X X	2,000	.....	X X
Jordan.....	.....	.....	.....	X X	2,700	.....	X X
Lebanon.....	.....	.....	.....	X X	2,100	.....	X X
Liberia.....	.....	.....	.....	.....	1,800	.....	1,800
Libya.....	.....	.....	.....	X X	2,000	.....	X X
Turkey.....	X X	X X	X X	.....	2,000	.....	X X
Overseas territories.....	.....	.....	.....	.....	1,200	.....	1,200
Palestine refugees.....	.....	.....	.....	.....	45,300	.....	45,300
Regional and undistributed.....	.....	.....	.....	.....	2,200	.....	.....
Special authorization for the Middle East and Africa.....	X X	.....	X X	.....	.....	100,000	100,000
Asia, total.....	1,166,818	882,000	2,048,813	80,000	68,250	160,000	2,352,063
South Asia countries, subtotal.....	140,217	90,000	230,217	76,000	24,000	.....	330,217
Afghanistan.....	.....	.....	.....	.....	3,000	.....	3,000
Ceylon.....	.....	.....	.....	.....	5,000	1,000	6,000
India.....	.....	.....	.....	.....	70,000	10,000	80,000
Nepal.....	.....	.....	.....	.....	1,000	1,000	2,000
Pakistan.....	X X	X X	X X	.....	.....	9,000	.....
Regional and undistributed.....	X X	X X	X X	.....	.....	.....	X X
Far East countries, subtotal.....	1,026,596	792,000	1,818,596	4,000	39,250	.....	2,192,063
Cambodia.....	.....	.....	.....	.....	2,500	.....	X X
Indonesia.....	X X	X X	X X	4,000	8,000	.....	12,000
Japan.....	X X	.....	X X	.....	2,850	.....	X X
Korea.....	X X	300,000	X X	.....	5,500	.....	X X
Laos.....	X X	X X	X X	.....	1,500	.....	X X
Philippines.....	X X	25,000	X X	.....	5,900	.....	X X
Taiwan.....	X X	86,000	X X	.....	3,400	.....	X X
Thailand.....	X X	30,000	X X	.....	4,600	.....	X X
Vietnam.....	X X	X X	X X	.....	5,000	.....	X X
Far East regional and undistributed.....	X X	.....	X X	.....	.....	.....	X X
President's fund for Asian economic development.....	.....	.....	.....	.....	160,000	160,000	160,000

XX denotes that assistance is contemplated but figures have been deleted for classification purposes.

4 Approved For Release : CIA-RDP59-00224A000100370004-1
 MUTUAL SECURITY ACT OF 1956

TABLE I.—*Distribution of fiscal year 1957 program by region, country, title, and function based upon Executive request—Continued*

[In thousands of dollars]

Region and country	Title I—Mutual Defense Assistance			Title II Development assistance	Title III Technical Cooperation	Title IV Other Programs	Total
	Ch. 1. Military Assistance	Ch. 3. Defense Support	Title I total				
Latin America, total.....	35,546	.....	35,546	27,000	33,850	.....	86,396
Argentina.....	.....	.....	.....	50	.....	.....	50
Bolivia.....	.....	.....	.....	3,195	.....	.....	3,195
Brazil.....	X X	.....	X X	4,739	.....	.....	X X
Chile.....	X X	.....	X X	2,521	.....	.....	X X
Colombia.....	X X	.....	X X	1,536	.....	.....	X X
Costa Rica.....	.....	.....	.....	1,026	.....	.....	1,026
Cuba.....	X X	.....	X X	690	.....	.....	X X
Dominican Republic.....	X X	.....	X X	330	.....	.....	X X
Ecuador.....	X X	.....	X X	1,903	.....	.....	X X
El Salvador.....	.....	.....	.....	1,005	.....	.....	1,005
Guatemala.....	X X	.....	X X	1,730	.....	.....	X X
Haiti.....	X X	.....	X X	1,152	.....	.....	X X
Honduras.....	X X	.....	X X	1,290	.....	.....	X X
Mexico.....	.....	.....	.....	1,185	.....	.....	1,185
Nicaragua.....	X X	.....	X X	919	.....	.....	X X
Panama.....	.....	.....	.....	1,195	.....	.....	1,195
Paraguay.....	.....	.....	.....	1,684	.....	.....	1,684
Peru.....	X X	.....	X X	2,998	.....	.....	X X
Uruguay.....	X X	.....	X X	619	.....	.....	X X
Venezuela.....	.....	.....	.....	225	.....	.....	225
Overscal territories.....	.....	.....	.....	812	.....	.....	812
Regional and undistributed-Organization of American States (OAS).....	X X	.....	X X	1,458	.....	.....	X X
.....	.....	.....	.....	1,500	.....	.....	1,500
Nonregional programs, total.....	565,253	.....	565,253	26,300	189,575	.....	781,128
New weapons.....	334,553	.....	334,553	.....	.....	.....	334,553
Infrastructure.....	75,000	.....	75,000	.....	.....	.....	75,000
International military headquarters.....	5,300	.....	5,300	.....	.....	.....	5,300
Mutual weapons development program.....	58,000	.....	58,000	.....	.....	.....	58,000
Foreign military facilities assistance program.....	35,000	.....	35,000	.....	.....	.....	35,000
Administrative expenses (title I, ch. 1).....	25,000	.....	25,000	.....	.....	.....	25,000
Special projects.....	32,400	.....	32,400	.....	.....	.....	32,400
United Nations expanded program of technical assistance.....	.....	.....	.....	15,500	.....	.....	15,500
Special Presidential fund.....	.....	.....	.....	100,000	.....	.....	100,000
Migrants, refugees, and escapees:	.....	.....	.....	.....	.....	.....	.....
Intergovernmental Committee for European Migration.....	.....	.....	.....	12,500	.....	.....	12,500
United Nations Refugee fund.....	.....	.....	.....	2,300	.....	.....	2,300
Escapee program.....	.....	.....	.....	7,000	.....	.....	7,000
Children's welfare.....	.....	.....	.....	10,000	.....	.....	10,000
Ocean freight:	.....	.....	.....	.....	.....	.....	.....
Voluntary relief shipments.....	.....	.....	.....	1,400	.....	.....	1,400
Surplus agricultural commodities.....	.....	.....	.....	14,000	.....	.....	14,000
Control Act expenses.....	.....	.....	.....	1,175	.....	.....	1,175
Administrative expenses, sec. 411, Mutual Security Act.....	.....	.....	.....	35,250	.....	.....	35,250
Foreign reactor projects.....	.....	.....	.....	5,950	.....	.....	5,950
Interregional expenses.....	.....	.....	10,800	.....	.....	.....	10,800

NOTE.—Columns may not add because of rounding.
 XX denotes that assistance is contemplated but figures have been deleted for classification purposes.

Approved For Release : CIA-RDP59-00224A000100370004-1

MUTUAL SECURITY ACT OF 1956

5

TABLE II.—*Distribution of fiscal year 1957 mutual security program by title and section of the proposed Mutual Security Act of 1956, fiscal year 1957 authorization*¹

Title and section	Fiscal year 1956 author- ization	Fiscal year 1956 appro- priation	Fiscal year 1957 proposed program	Fiscal year 1957 author- ization request	Recommendations by Com- mittee on Foreign Affairs
	(1)	(2)	(3)	(4)	
TITLE I—MUTUAL DEFENSE ASSISTANCE					
Ch. 1. Military assistance:					
Sec. 103 (a) (3). General authorization	\$1,133,000,000	\$583,000,000	\$2,925,000,000	\$2,925,000,000	\$1,925,000,000
Sec. 104. Infrastructure	122,000,000	75,000,000		2 (75,000,000)	(75,000,000)
Total, Ch. 1	1,133,000,000	705,000,000	3,000,000,000	2,925,000,000	1,925,000,000
Ch. 2. Southeast Asia, and the western Pacific, and direct forces support: Sec. 124. Direct forces support	317,200,000	317,200,000	(3)	(8)	(8)
Ch. 3. Defense support: Sec. 131 (c):					
(1) Europe	92,000,000	85,500,000	78,700,000	78,700,000	63,700,000
(2) Near East and Africa	102,500,000	113,700,000	170,000,000	170,000,000	170,000,000
(3) Asia	827,800,000	800,000,000	882,000,000	882,000,000	882,000,000
(4) Latin America					32,000,000
Total, ch. 3	1,022,300,000	999,200,000	1,130,700,000	1,130,700,000	1,147,700,000
Total, title I	2,472,500,000	2,021,400,000	4,130,700,000	4,055,700,000	3,072,700,000
TITLE II—DEVELOPMENT ASSISTANCE					
Sec. 201 (c):					
(1) Near East and Africa	73,000,000	73,000,000	63,000,000	63,000,000	{243,000,000}
(2) Asia	71,000,000	51,000,000	80,000,000	80,000,000	
(3) Latin America	38,000,000	38,000,000	27,000,000	27,000,000	(8)
Total, title II	182,000,000	162,000,000	170,000,000	170,000,000	243,000,000
TITLE III—TECHNICAL COOPERATION					
Sec. 304 (b). General authorization	146,500,000	127,500,000	140,500,000	140,500,000	140,500,000
Sec. 306. Multilateral technical cooperation:					
(a) United Nations expanded program of technical assistance	24,000,000	24,000,000	15,500,000	15,500,000	15,500,000
(b) Organization of American States	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Total, title III	172,000,000	153,000,000	157,500,000	157,500,000	157,500,000
TITLE IV—OTHER PROGRAMS					
Sec. 401 (b). Special Presidential fund	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000
Sec. 403 (b). Special assistance in joint control areas	21,000,000	21,000,000	12,200,000	12,200,000	12,200,000
Sec. 405. Migrants, refugees, and escapees:					
(a) Intergovernmental Committee for European Migration		12,500,000	12,500,000	4 (12,500,000)	
(c) United Nations Refugee Fund	1,400,000	1,200,000	2,300,000	2,300,000	2,300,000
(d) Escapee program	6,000,000	6,000,000	7,000,000	7,000,000	7,000,000
Sec. 406 (b). Children's Welfare	14,500,000	14,500,000	10,000,000	10,000,000	10,000,000
Sec. 407 (b). Palestine refugees in the Near East	65,000,000	58,366,750	45,300,000	5 (45,300,000)	5 (45,300,000)
Sec. 408. North Atlantic Treaty Organization		6 3,700,000			
Sec. 409. Ocean freight charges:					
(c) Voluntary relief shipments	2,000,000	2,000,000	1,400,000	1,400,000	1,400,000
(d) Surplus agricultural commodities	13,000,000	13,000,000	14,000,000	14,000,000	14,000,000

See footnotes at end of table, p. 6.

Approved For Release : CIA-RDP59-00224A000100370004-1

Approved For Release : CIA-RDP59-00224A000100370004-1
6 MUTUAL SECURITY ACT OF 1956

TABLE II.—Distribution of fiscal year 1957 mutual security program by title and section of the proposed Mutual Security Act of 1956, fiscal year 1957 authorization¹—Continued

Title and section	Fiscal year 1956 authori- zation	Fiscal year 1956 appro- priation	Fiscal year 1957 proposed program	Fiscal year 1957 authori- zation request	Recommendations by Com- mittee on For- eign Affairs
	(1)	(2)	(3)	(4)	(5)
Sec. 410. Control Act expenses.	\$1,175,000	\$1,175,000	\$1,175,000	\$1,175,000	\$1,175,000
Sec. 411 (b). Administrative and other expenses (other than ch. 1 of title I, and sec. 124).	35,225,000	33,500,000	35,250,000	35,250,000	35,250,000
Sec. 418 (b) President's Fund for Asian Economic Development.	200,000,000	100,000,000	160,000,000	(100,000,000)	¹¹ (-100,000,000)
Sec. 420. Special authorization for the Middle East and Africa.			100,000,000	100,000,000	¹¹ 5,950,000
Sec. 11. Foreign reactor projects			5,950,000	5,950,000	
Sec. 420. Food and Agriculture Organization.					¹² 1,000,000
Total, title IV	459,300,000	366,941,750	507,075,000	289,275,000	90,275,000
Grand total, all titles	3,285,800,000	2,703,341,750	4,965,275,000	2,4672,475,000	3,563,475,000

¹ Fiscal year 1957 appropriation request submitted by the executive branch was \$4,859,975,000.

² 1957 authorization not being requested as sec. 104 of the Mutual Security Act of 1954 authorized the appropriation of \$321 million in installments prior to June 30, 1958. In fiscal year 1955 \$100 million was appropriated. An additional \$122 million was appropriated in fiscal year 1956, leaving an unappropriated authorization of \$99 million. The 1957 appropriation request will leave an unappropriated authorization balance of \$24 million.

³ Funds for 1957 in the amount of \$374.3 million for this function have been included with "Military assistance."

⁴ Continuing authorization provided under sec. 405 (1) of the Mutual Security Act of 1954.

⁵ Estimated unobligated balance for which carryover authority is requested.

⁶ Operating responsibility for this program transferred to Department of State in 1957.

⁷ Of the \$200 million authorized in the Mutual Security Act of 1955, which is available through June 30, 1958, \$100 million remains to be appropriated. Of the initial appropriation of \$100 million for fiscal year 1956 the estimated carryover into fiscal year 1957 is \$60 million. The \$100 million appropriation plus the carryover will make available \$160 million for programming in fiscal year 1957.

⁸ "Development assistance, Latin America," was transferred to "Defense support, Latin America," and increased from \$27 million to \$32 million.

⁹ This sum is included in sec. 4 of H. R. 11356 which amends sec. 201 of the Mutual Security Act of 1954. The sum was determined by adding the executive request for development assistance, Near East and Africa, and Asia—\$63 million and \$80 million respectively; Asian economic development, \$100 million; and special authorization for Middle East and Africa, \$100 million. Total, \$343 million. This was then reduced to \$243 million.

¹⁰ The authorization contained in this section is repealed by sec. 6 (m) of H. R. 11356. See footnote 9.

¹¹ See footnote 9.

¹² Public Law 806, 81st Cong., authorized a contribution of \$2 million to the Food and Agriculture Organization. Sec. 6 (n) of H. R. 11356 increases this to \$3 million.

TABLE III
Estimated unobligated and unreserved balance June 30, 1956

	Estimate in March 1956	Estimate in May 1956
Military	\$297,000,000	\$195,500,000
Nonmilitary	106,600,000	190,000,000
Total	403,600,000	385,500,000

Estimated unexpended balance June 30, 1956

	Estimate in March 1956	Estimate in May 1956
Military	\$4,765,100,000	\$5,000,000,000
Nonmilitary	1,678,200,000	1,800,000,000
Total	6,443,300,000	6,800,000,000

Approved For Release : CIA-RDP59-00224A000100370004-1
MUTUAL SECURITY ACT OF 1956

RELATION OF MUTUAL SECURITY PROGRAM TO DEPARTMENT OF DEFENSE BUDGET

The sums authorized in this bill for military purposes are for the defense of the United States. During the hearings this point was emphasized by witnesses from the executive branch. Adm. Arthur W. Radford, Chairman, Joint Chiefs of Staff, testified that the mutual security program—

is an essential part of the defense of the United States and of the free world. In planning military programs of the United States the existence and scope of the military assistance program is fully considered. There is no duplication. They supplement each other. Both are essential to our own national defense * * * (hearings p. 333).

Last year Admiral Radford made a similar statement.

* * * the military aid program is part and parcel of the United States Defense Department program. The expenditures abroad in support of our alliances do not differ in purpose, scope, or objective from our own military expenditures. The fact that this part of our program is not included in the Defense Department budget is more a matter of procedure and administration than of substance (hearings, 1955, p. 239.)

Hon. Gordon Gray, Assistant Secretary for International Security Affairs, Department of Defense, made the point that "but for the military forces generated, stimulated, and assisted by our military assistance program, to attain the same measure of military security in the world our own forces would have to be larger."

Mr. Gray threw further light on the close relation between this program and our own defense program when he informed the Committee that our allies—

are getting more and more of the same equipment that we have actively in the hands of our own troops. Indeed, there are some items now in our programs which are being delivered simultaneously to allied countries and to our own troops, where this is possible without impairing the combat effectiveness of our own troops (hearings, p. 101).

The committee was informed that, of the estimated unexpended balance of \$4,779.7 million, \$3,146.9 million was taken directly out of common-item orders, and \$1,632.8 million was applied against separate contracts. Thus, only a third goes for expenditures outside of regular defense budget items. (See pp. 206-207 of hearings.)

The identity of purpose between our own Department of Defense budget and the funds authorized for the mutual security program raises the question whether these two items should be considered separately.

In his testimony Mr. Gray stated that "the Defense Department could live under either structure" but he noted that "nobody has initiated a change" (hearings, p. 102).

The committee voted to recommend that, while legislative policy authorization should continue to be coordinated and reviewed as at present, the executive branch carefully consider placing the military portion of the mutual security program in the Department of Defense budget next year.

UNITED STATES FOREIGN POLICY IN THE MIDDLE EAST

During the course of its hearings the committee inquired of witnesses from the executive branch their views on the problems of the Middle East and United States policy in that area particularly as it

Approved For Release : CIA-RDP59-00224A000100370004-1

Approved For Release : CIA-RDP59-00224A000100370004-1

8

MUTUAL SECURITY ACT OF 1956

concerns the relations of the Arab States and Israel. Hon. John Foster Dulles, testifying on the importance of the area, made this observation (hearings, p. 980):

* * * in relation to Europe * * * the Soviet Union seems to be on its best behavior. But their behavior is not so good in the Middle East, where they have played fast and loose with peace in the area by a reckless policy of dispensing arms. This is an area which is of great importance to the United States, both because it includes the State of Israel, with which the United States has close ties, and also because the area produces the oil required for industry and the military establishment of Western Europe.

The committee was advised that the policy of the United States continues as was stated by Secretary Dulles in his speech on August 26, 1955:

The United States, as a friend of both Israelis and Arabs, has given the situation deep and anxious thought and has come to certain conclusions, the expression of which may help men of good will within the area to fresh constructive efforts. I speak in this matter with the authority of President Eisenhower. * * *

President Eisenhower has authorized me to say that, given a solution of the other related problems, he would recommend that the United States join in formal treaty engagements to prevent or thwart any effort by either side to alter by force the boundaries between Israel and its Arab neighbors.

The purpose of our programs in the Middle East was stated by Hon. John B. Hollister, Director, International Cooperation Administration, in these words (hearings, p. 41):

In the Arab States and in Israel, we hope that our programs, which are designed to accelerate desperately needed economic development and to provide a partial answer to the pitiful plight of the refugees from Israel, will also help in the solution of the bitter controversies that now plague the whole Near East. We are prepared to support any programs or projects that hold real promise of constructive progress on these problems, including broad support for regional projects that will harness the energy and equitably distribute the waters of the Jordan River or facilitate the resettlement of refugees.

The problems between the Arab States and Israel were stated by Hon. George Allen, Assistant Secretary of State for Near Eastern, South Asian and African Affairs, as follows (hearings, p. 593):

The principal problems between the Arab States and Israel at the present moment are first and the most serious, I think, is the question of agreed boundaries. A close second is the settlement of refugees. Many people think the refugee question ought to be put first.

A third question is the status of Jerusalem.

Many schemes have been put forward by various people for the internationalization of Jerusalem, or at least of the holy places. There are suggestions for an international commission which would have supervisory jurisdiction over access to the actual holy places themselves, without trying to exercise sovereignty over the territory. That is a possible solution.

The point of view of the United States administration is that while we should not have too inflexible and fixed a position on this, we should always recognize Jerusalem as a city which encompasses places holy to three great religions, and that none of those should be overlooked.

On the matter of United States policy Mr. Allen made these statements (hearings, pp. 543, 564, and 537, respectively):

The United States is trying to conduct its foreign relations in a responsible manner. We want to maintain friendship with all the peoples of the Middle East (hearings, p. 543).

* * * We are concentrating on trying to work through the United Nations if we possibly can (hearings, p. 564).

* * * United States policy is aimed at the achievement of a peaceful and equitable settlement of Arab-Israel differences. Our goal in the area is the permanent security of the States there (hearings, p. 537).

Approved For Release : CIA-RDP59-00224A000100370004-1

Approved For Release : CIA-RDP59-00224A000100370004-1

MUTUAL SECURITY ACT OF 1956

The committee was reassured both on and off the record that the program does not include any money or plans for military aid to Israel or to the Arab States bordering on Israel.

STATUS OF FORCES TREATY AND AGREEMENTS

The committee considered an amendment to this bill which would require the President to terminate any assistance being furnished under the Mutual Security Act to a nation which exercises criminal jurisdiction over United States service personnel stationed within its boundaries by reason of any treaty or international agreement. This proposal was not accepted by the committee. This action was taken only after careful and deliberate consideration. The committee held extensive hearings on House Joint Resolution 309 and similar resolutions relating to this same subject on July 13, 14, 19, 20, 21, and 26, 1955, January 31, and February 1 and 2, 1956. The committee had decided before taking up the mutual security bill to assign this subject for further study to a subcommittee (appointed April 13, 1956) which has responsibility for keeping informed of decisions by our courts (including the Supreme Court) on certain pending cases which are relevant to this issue. Members of this subcommittee are Hon. Omar Burleson, Texas, chairman; Hon. Brooks Hays, Arkansas; Hon. James G. Donovan, New York; Hon. Robert B. Chiperfield, Illinois; and Hon. Lawrence H. Smith, Wisconsin.

An important reason for the desire of the committee to hold open its consideration of the issues involved in the Status of Forces Treaty was the fact that several cases relevant to the treaty are now pending in United States courts. At the request of the chairman of the committee the Attorney General submitted a summary and analysis of the following cases:

- United States ex rel. Krueger v. Kinsella* (D. C. S. D., W. Va., decided January 16, 1956)
United States ex rel. Covert v. Reid (D. C. D. C., decided November 22, 1955)
United States ex rel. Toth v. Quarles (350 U. S. 11)
Madsen v. Kinsella (343 U. S. 341)
United States ex rel. Keefe v. Dulles (222 F. 2d 390 C. A. D., C., 1954, cert. den. 348 U. S. 952)
May et al. v. Wilson et al. (D. C. D. C., Civil No. 128-56)

His comments as to their relevance are as follows:

The relevance of the foregoing cases to the NATO Status of Forces Agreement or the similar agreement with Japan differs in respect to each case. Since the Toth case concerned the amenability of an honorably discharged ex-serviceman to the Uniform Code of Military Justice and considered only his constitutional rights under purely domestic American law, its relevance, if any, to the Status of Forces Agreement is remote. The Madsen case, arising during the occupation of Germany, presented a problem under the law of war. Since the law of war is antithetical to international diplomacy in times of peace, the Madsen case has no relevance to the Status of Forces Agreement.

The relevance of the Krueger and Covert cases to the Status of Forces Agreement is uncertain because of their present posture as pending cases. If the Supreme Court holds article 2 (11) of the Uniform Code of Military Justice as within the power of Congress under article I, section 8, clause 14, of the Constitution, they will have no peculiar relevance to the NATO agreements. If, however, the Court sustains article 2 (11) as within the power of Congress to enact legislation to aid the President in his conduct of foreign affairs, they may be relevant, in some degree, to the Status of Forces Agreement. On the other

Approved For Release : CIA-RDP59-00224A000100370004-1
10 MUTUAL SECURITY ACT OF 1956

hand, should the Court hold the present law invalid and the Government without present power to prosecute dependents who commit crimes while abroad, a number of serious questions, possibly involving international agreements, may be presented.

The Keefe and the May cases have a direct bearing on the Status of Forces Agreement and the Japanese protocol. In the Keefe case, France asserted its primary jurisdiction under the Status of Forces Agreement to try an American serviceman for a local crime committed off base and not in line of duty. However nothing in the case indicates that a different result would have accrued had the agreement not been in force. In the May case, the Japanese officials are asserting the right under the protocol to try four American servicemen for off-duty, off-post crimes. Since the protocol with Japan embodies substantially the same provisions as the NATO Status of Forces Agreements, and since the validity of the protocol is directly in issue, the outcome of this case, now before the courts, will have a bearing on the agreement. However, as previously noted, in denying the preliminary injunction, the Court concluded that the protocol was valid "in all respects" and that in the absence of such an agreement the plaintiffs would have been "subject to the criminal jurisdiction of the Japanese court" (hearings on H. J. Res. 309 and similar measures, pt. II, pp. 658-659).

The committee believes that no satisfactory conclusions as to the constitutional and legal issues involved can be arrived at until the Supreme Court has handed down additional decisions on these matters.

The hearings before the committee brought out a number of important facts:

(1) On November 30, 1955 (the latest figures submitted), there were 81 United States military personnel serving sentences to confinement imposed by foreign tribunals.

(2) In the 12-month period prior to November 30, 1955, foreign authorities had waived their right to exercise jurisdiction over 66 percent of 10,249 cases where they could have exercised jurisdiction. A detailed analysis of the situation is shown in the following summary:

Exercise of criminal jurisdiction by foreign tribunals over United States citizens subject to military law

[Worldwide in area; all services for period Dec. 1, 1954-Nov. 30, 1955]

Number of offenses subject to foreign jurisdiction ____ 10,249.

Offenses subject to foreign jurisdiction as to which 6,769, or 66.04 percent. a waiver of local jurisdiction was obtained.

Number of offenses subject to foreign jurisdiction as 274 or 2.6 percent. to which charges were "dropped".

Number of offenses tried by local tribunals _____ 3,142 or 30.65 percent.

Number of serious offenses tried by local tribunals¹ ____ 353 or 11.23 percent.

Number of offenses tried by local tribunals as to which there was an acquittal. 225 or 7.16 percent.

Offenses tried by local tribunals as to which a sentence 266. to confinement was imposed.

Percent of offenses tried by local tribunals _____ 8.46 percent.
Percent of all offenses subject to foreign jurisdiction. 2.59 percent.

Sentences to confinement not suspended _____ 120.
Percent of offenses tried by local tribunals _____ 3.81 percent.
Percent of all offenses subject to foreign jurisdiction. 1.17 percent.

Offenses tried by local tribunals as to which a fine only 2,595. was imposed.

Percent of offenses tried by local tribunals _____ 82.59 percent.
Percent of all offenses subject to foreign jurisdiction. 25.31 percent.

¹ Murder, rape, manslaughter, arson, robbery, larceny and related offenses, burglary and related offenses, forgery and related offenses, and aggravated assault.

The hearings did not bring to light a single instance where it is claimed that an American serviceman believed to be innocent has been imprisoned by a foreign court, or an American sentenced for an act which in the United States would not be considered a crime. Neither has any case of mutilation, flogging, or any other cruel, unusual, or excessive punishment been cited.

A decision as to the action which should be taken on the Status of Forces Treaty involves a balancing of the natural resentment felt by every American against the fact that American boys are being tried in foreign courts and imprisoned in foreign jails against the danger to United States security which would result if we had to withdraw from our important foreign bases and if certain foreign nations refused to cooperate with us in our defense effort as a consequence of our cutting off aid to them.

If the immediate, practical problem of maintaining our present defense posture with its extensive reliance on strategic bases could be disregarded, the decision on the status of forces issue would involve only the application of logical analysis to legal precedents and moral principles.

The fact is that the treaty has been agreed to and ratified in accordance with our constitutional procedures. It is not a question of what might have been had our policy been different in 1951 when the treaty was being negotiated or in 1953 when it was ratified. The question is what the consequences of reopening the issue without following the procedures for modification set forth in the treaty will be.

The bargaining power of the United States has diminished in important respects during recent years, particularly because economic aid has declined. In addition, international tension has lessened and none of our allies anticipates military aggression by the Soviet Union in the near future. As a consequence, nations are less willing to sacrifice their sovereign rights than they once were and they feel somewhat less under obligation to the United States.

Some of our most important strategic bases (including the Azores and the Arab countries) are located in countries which never received much United States assistance. Furthermore, these nations do not feel that the bases are of much direct advantage to them. Instead, the bases are regarded as likely to draw attack in time of war.

In nearly all of the countries where our troops are stationed a speaker receives hearty applause if he speaks against subservience to the United States and urges his government to follow an independent course. It would be difficult for even our most friendly and sympathetic allies to get legislative approval of a new agreement, giving the United States greater jurisdiction over its forces than the present treaty provides.

It would be particularly unfavorable to our cold-war strategy to have the United States announce a reversal of its position on this issue at the present time. Our most pressing problems appear to involve the nations of Asia and Africa where the issue of colonialism is of great importance. The current Soviet line is to take sides with the former colonies against the western nations and to charge the United States with following a policy of imperialism. The Communists

12 Approved For Release : CIA-RDP59-00224A000100370004-1
MUTUAL SECURITY ACT OF 1956

would certainly exploit any action by the United States demanding that other nations restore to us full jurisdiction over our forces "or else."

Gen. Alfred M. Gruenther, Supreme Commander, Allied Powers, Europe, in a message to the Committee on Foreign Affairs confirmed the military significance of the Status of Forces Treaty:

In my opinion, the denunciation of the Status of Forces Agreement by the United States or any insistence by the United States for a major revision of this agreement would so undermine the spirit of the alliance as to cause its serious deterioration with the gravest consequences to the essential security of our country.

* * * * *

While all the other NATO countries are agreed that their soldiers will receive fair hearings in the courts of the others, the United States would be alone in maintaining that its people can only be tried by United States courts. We would thus seem to place ourselves in a unique category. I can assure you no alliance can efficiently and successfully function if one of the partners thus sets itself apart from the others. Our troops are not in wartime occupied countries. They are on the territory of sovereign friends who have willingly joined in a unique peacetime alliance to preserve our common freedoms and to prevent another and even more devastating world conflict. It would be impossible to explain to our allies why the United States would refuse to permit their jurisdiction over the more serious crimes committed off duty (hearings on H. J. Res. 309 and similar measures, pt. II, pp. 946, 947).

The committee urges that the status of forces problem be faced directly and considered on its merits. It should not be used as a device for attacking the mutual security program. The decision to abandon any of our bases or to withdraw United States forces from any country should be made by our military commanders because in their judgment military strategy no longer required the maintenance of particular foreign installations. It would not be in the interest of national security to have such withdrawals made necessary because we happened to get ourselves into a political controversy over the status of our forces.

STUDY OF TECHNICAL COOPERATION PROGRAM

In view of the committee's consideration of the technical cooperation program as a vital part of our foreign aid effort, the committee expects the executive branch, in whatever study or reappraisal it may make of the mutual security program, to give special consideration to technical assistance. In this connection, an analysis and study should be made of how the technical cooperation program can be given the special emphasis which it merits, possibly through its separation from the other programs contained in the mutual security program and by placing technical assistance in a new agency or new Government corporation devoted exclusively to this peoples-to-peoples program.

PROVISIONS OF THE BILL

SECTION 2—MILITARY ASSISTANCE

The bill authorizes \$1,925 million for military assistance. This is a reduction, by a committee vote of 18 to 11, of \$1 billion from the Executive request.

Approved For Release : CIA-RDP59-00224A000100370004-1

The program presented by the Executive in support of its request for \$2,925 million proposed that military assistance would be divided among regions as follows:

Europe	\$760,171,000
Near East and Africa	471,918,000
Asia	1,166,813,000
Latin America	35,546,000
Non-Regional	490,253,000

The bill limits the funds which may be used for Europe to \$450 million, of which \$48 million can be used only to supply military assistance to Spain. The purpose of the committee is to assure that our military assistance to Spain will not be curtailed even though the authorization for Europe is reduced.

The committee is convinced that the funds authorized are adequate to permit carrying forward the military programs as planned for Asia, the Near East and Africa, and Latin America if materiel and equipment already financed from prior appropriations now scheduled for Europe but undelivered is diverted to these areas.

The latest information supplied to the committee shows that as of November 30, 1955, the following amounts of undelivered military items financed with 1950-56 funds were in the pipeline:

Europe	\$3,634,303,000
Near East and Africa	598,149,000
Asia	1,464,340,000
Latin America	47,089,000
Non-regional	661,762,000
Total	6,405,643,000

The Defense Department was not able to provide a more current regional breakdown of the pipeline figures.

On May 16 the Defense Department estimated the unexpended balance of military funds as of June 30, 1956, to be \$5 billion.

The committee believes that a substantial amount of the equipment scheduled for delivery to Europe is equally suitable for delivery to forces in Korea, Formosa, Thailand, Pakistan, Turkey and other non-European nations. The present situation in Europe involves sufficient elements of uncertainty to justify diverting some of the pipeline to other areas until the defense policy which Europe intends to follow is clearer.

The committee recognizes the urgency of carrying forward the military assistance program. Korea has the largest force in Asia opposed to the Communists. Its quality is excellent and its determination to fight unquestioned. Only a small part of the front in Korea is now held by United States forces. If the Korean forces were not available, the United States would either have to man the line with our own troops or abandon to the Communists the territory for which so many American boys died. Korea does not have the resources to maintain its present military effort. The United States has no alternative but to carry a substantial part of the burden.

Comparable situations exist in the case of other nations of Asia and the Near East which border on Communist territory. They have already committed themselves to fight if necessary to meet a Soviet

Approved For Release : CIA-RDP59-00224A000100370004-1
14 MUTUAL SECURITY ACT OF 1956

attack. Their own resources are inadequate to maintain effective military forces. It is in our interest to assist them.

The committee believes that our support of NATO should continue. The nations of Western Europe are prosperous, however, and in some cases appear to be relaxing their defense efforts. The United States cannot hope to overcome a lack of zeal on the part of any nation by supplying it with equipment. The future of NATO will be determined to a larger degree by what the nations of Europe do with their own resources than by the assistance rendered by the United States.

SECTION 8—DEFENSE SUPPORT

The bill authorizes \$1,147,700,000 for defense support, divided by areas as follows:

Europe (excluding Greece and Turkey)	\$63,700,000
Near East (including Greece and Turkey)	170,000,000
Asia	882,000,000
Latin America	32,000,000

Except in the case of Latin America, as noted below, defense support is economic assistance supplied to countries receiving direct military assistance from the United States which are financing military programs too large for their own resources to support. These nations could not devote as large a proportion of their manpower to military service, of their industry to the production of arms and military equipment, and of their budgets to defense as they are doing if the United States did not help finance some of their imports. Defense support is not directed necessarily to the defense industries of the recipient nation. The objective is to relieve the country of a portion of its economic burden so that it can carry a heavier military load.

Defense support—Comparison of new authorization with previous years

Area	Fiscal year 1955	Fiscal year 1956	Fiscal year 1957
Europe			
Near East and Africa	\$176,467,000	\$83,800,000	\$63,700,000
Asia	163,453,000	163,700,000	170,000,000
	936,866,000	797,250,000	882,000,000
Total	1,276,786,000	1,044,750,000	1,115,700,000

In the judgment of the committee the concept of defense support is sound. The principal question concerning it has always been whether the situation in the individual countries involved really justifies such aid. There can be no question but that all the countries which are to receive defense support authorized in this bill are poor countries which are making a military effort substantially in excess of what they could maintain with their own resources.

The following table lists all of the countries for which defense support was planned by the executive branch in its request for authorization. The amounts shown are those requested and do not reflect adjustments which will be made necessary as a result of the reduction in authorization by the committee. The amounts for certain countries are omitted because the executive branch regards them as classified.

Approved For Release : CIA-RDP59-00224A000100370004-1
MUTUAL SECURITY ACT OF 1956

Defense support—Distribution, by countries, of authorization requested by executive

Europe:		
Spain	\$45,000,000	
Yugoslavia	30,000,000	
Regional	3,700,000	
Total		\$78,700,000
Near East and Africa:		
Greece	Classified	
Iran	Classified	
Turkey	Classified	
Total		170,000,000
Asia:		
Pakistan	Classified	
Cambodia	Classified	
Korea	300,000,000	
Laos	Classified	
Philippines	25,000,000	
Taiwan	86,000,000	
Thailand	30,000,000	
Vietnam	Classified	
Total		882,000,000

The committee reduced the authorization for defense support for Europe, by \$15 million below the executive request, to \$63,700,000. The purpose of this reduction was to reduce the assistance which had been requested for Yugoslavia by 50 percent.

None of the countries listed can be regarded as prosperous and it is recognized that all maintain large military forces in relation to their economic resources and manpower. None of the major industrialized nations is included. In Europe, Spain is a poor country with a large army which has permitted us to build air and naval bases within its territory. Yugoslavia has a large proportion of its manpower under arms and is a country of very limited resources. Its location is highly strategic.

In the Near East, only Greece, Iran, and Turkey are scheduled to receive defense support. Greece and Turkey have for years maintained military forces recognized by everyone as substantially larger than they can maintain with their own resources. Iran has recently joined the Baghdad Pact. Until its economy recovers from the near bankruptcy, which it faced under the Mossadegh regime, economic aid from the United States is necessary.

In Asia, Korea and Formosa (Taiwan) provide large armies directly confronting Communist forces. Neither country has an adequate economic base. Pakistan lies close to the Soviet Union and has joined the Baghdad Pact. It is essential that the United States give full assistance to its effort to meet the Soviet threat. Cambodia, Laos, and Vietnam are trying to establish themselves as independent nations and to defend themselves against the continued danger from their Communist neighbors. The Philippines has to maintain a military force adequate to maintain internal security and at the same time perform the important assignment in the defense of the Pacific area which its strategic location dictates. The free world orientation of Thailand, its position in the South East Asia Treaty Organization (SEATO), and the effectiveness of its military organization combine to make it one of the most influential small nations in Asia.

Latin America

In recent years special economic aid for Latin American countries has been carried in title II as "development assistance." As explained

Approved For Release : CIA-RDP59-00224A000100370004-1
16 MUTUAL SECURITY ACT OF 1956

below, this year the committee transferred this authorization to "defense support." The sum of \$32 million is authorized for Latin America as compared to \$38 million appropriated for the comparable purpose last year. The assistance goes largely to Bolivia and Guatemala. This total represents an increase over the Executive request by an amount of \$5 million in order to make available that amount to Guatemala in addition to the sum recommended for Guatemala by the Executive. This action was taken in special recognition of, and to facilitate, encourage, and accelerate, the courageous and effective effort which the Government of Guatemala is making to overcome the damage to the nation's economy done by the previous Communist regime.

All of the nations of Latin America and the United States have joined together for their common defense in the Inter-American Treaty of Reciprocal Assistance and all but one have adhered to the resolution of 1954 entitled "Declaration of Solidarity for the Preservation of the Political Integrity of the American States Against the Intervention of International Communism." For this reason the committee recognized that defense support in this area should not be tied directly to military assistance programs as is the case in other parts of the world and incorporated language in the bill exempting the Latin American nations from the formal requirements of eligibility for defense support contained in sections 141 and 142 of the Mutual Security Act. Classification of such assistance as "defense support" constitutes clear recognition that such economic assistance is to enable the recipients in this area to sustain and develop stable governments and economies, and thus lend effectiveness to the resolution and declaration referred to. For this purpose, language has also been included to provide that funds for defense support in Latin America may be used to sustain or increase military effort, or to sustain and increase efforts related to internal defense, such as strengthening political and economic stability to meet the danger of subversion or unrest. This will make clear that these funds, although shifted from development assistance to defense support under the act, may be used for the purposes originally planned.

SECTION 4—DEVELOPMENT ASSISTANCE

Authorization (sec. 201)

The authorization for this title is \$243 million. The bill combines into a single program the existing program of "Development assistance" (title II), the President's fund for Asian economic development (sec. 418) and the special authorization for the Middle East and Africa, authorization for which was requested by the Executive. Assistance for economic development of their resources is available to countries carrying on military programs in the common defense under "Defense support" in title I, but the term "Development assistance" in recent years has emphasized large amounts for economic aid in addition to technical assistance in title III to nations which have not undertaken military programs in the common defense.

Latin American countries in the past have been included under development assistance although their commitments to the defense of the hemisphere against communism puts them in a different class. The committee has placed such Latin American assistance under "Defense support" in title I.

Approved For Release : CIA-RDP59-00224A000100370004-1

MUTUAL SECURITY ACT OF 1956

17

In this bill "Development assistance" is confined to friendly countries in Asia, the Middle East, and Africa. Neither Latin America nor Europe is included.

The committee believes that "Development assistance" contemplated for Asia, the Middle East, and Africa, which includes projects such as railway and road building, powerplants and irrigation systems, and the construction of industrial plants should be financed on a loan rather than a grant basis. Many nations can, at the same time, make greater use of their own capital for development purposes if they are relieved of the necessity of using their limited foreign exchange for financing the import of cotton, wheat, and other agricultural commodities each year.

To meet these conditions the bill authorizes "Development assistance" in the form of loans except when funds are used to finance sales of surplus agricultural commodities. Grant assistance can be given for regional projects which include two or more nations since it is difficult for such groups to borrow. Not more than 25 percent of the funds authorized may be used to assist any nation—including its proportionate share of regional assistance. This share of any regional project will be determined by taking into account such relevant factors as the nation's relative contribution to and benefit from such project.

In order that the United States may not offer "Development assistance" to nations which do not encourage the participation by private enterprise in their development, nations to be eligible must enter into written agreements satisfactory to the President and appropriate for the particular country to permit participation in accomplishing purposes of the act by private enterprise in conformance with the provisions of section 413 of the Mutual Security Act which relate to the encouragement of free enterprise, such as the guaranty of private investments.

Use of funds to carry out functions under Public Law 480 (sec. 201 (d))

The administration of the use of foreign currencies acquired by the United States as a result of sales of surplus agricultural commodities under the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480, 83d Cong.), when such currencies are used to finance economic development or other mutual security type programs in foreign nations, has been assigned by Executive order to the International Cooperation Administration.

This subsection authorizes the use of title II funds to cover the expense of carrying out the functions of the ICA in connection with these programs. No appropriations are expressly authorized for the administration of Public Law 480 in any other act. This authorization does not include strictly administrative expenses incurred by the ICA in connection with Public Law 480, which are covered in section 6 (i) (2) of the bill. The expenses referred to in this section are those incurred in the performance of technical and advisory functions in connection with programs financed with Public Law 480 foreign currencies.

SECTION 5 —TECHNICAL COOPERATION

This section authorizes appropriations for three technical assistance programs in which the United States participates: (1) bilateral technical assistance, \$140,500,000; (2) United Nations expanded technical assistance program, \$15,500,000; and (3) Organization of American States program, \$1,500,000.

Approved For Release : CIA-RDP59-00224A000100370004-1

18

MUTUAL SECURITY ACT OF 1956

Bilateral technical cooperation (sec. 5 (a))

Technical cooperation, \$140,500,000 (100 percent):

Near East and Africa (24 percent):

Egypt.....	\$3,800,000
Ethiopia.....	3,000,000
Greece.....	1,000,000
Iran.....	8,000,000
Iraq.....	2,300,000
Israel.....	2,000,000
Jordan.....	2,700,000
Lebanon.....	2,100,000
Liberia.....	1,800,000
Libya.....	2,000,000
Turkey.....	2,000,000
Overseas Territories.....	1,200,000
Regional and undistributed.....	2,200,000

Total..... \$34,100,000

Asia (45 percent):

South Asia:

Afghanistan.....	\$3,000,000
Ceylon.....	1,000,000
India.....	10,000,000
Nepal.....	1,000,000
Pakistan.....	9,000,000

Far East:

Cambodia.....	2,500,000
Indonesia.....	8,000,000
Japan.....	2,850,000
Korea.....	5,500,000
Laos.....	1,500,000
Philippines.....	5,900,000
Taiwan.....	3,400,000
Thailand.....	4,600,000
Vietnam.....	5,000,000

Total..... 63,250,000

Latin America (23 percent):

Argentina.....	\$50,000
Bolivia.....	3,195,000
Brazil.....	4,739,000
Chile.....	2,521,000
Colombia.....	1,536,000
Costa Rica.....	1,026,000
Cuba.....	690,000
Dominican Republic.....	330,000
Ecuador.....	1,993,000
El Salvador.....	1,005,000
Guatemala.....	1,730,000
Haiti.....	1,152,000
Honduras.....	1,290,000
Mexico.....	1,185,000
Nicaragua.....	919,000
Panama.....	1,195,000
Paraguay.....	1,684,000
Peru.....	2,996,000
Uruguay.....	619,000
Venezuela.....	225,000
Overseas Territories.....	812,000
Regional and undistributed.....	1,458,000

Total..... 32,350,000

Interregional expenses (8 percent)..... 10,800,000

Approved For Release : CIA-RDP59-00224A000100370004-1

The major emphasis of technical cooperation programs is in the fields of agriculture, health and sanitation, and education. For fiscal year 1957 these 3 fields of activity account for about 52 percent of United States assistance in bilateral technical cooperation. This is about the same proportion as has been devoted to these fields in the current fiscal year. The following table shows the major fields of activities as planned for the next fiscal year.

Major fields of activity, fiscal year 1957

[In thousands]

	Near East and Africa	Asia	Latin America
Agriculture and natural resources.....	\$8,389	\$12,801	\$10,668
Industry and mining.....	2,973	10,012	2,851
Transportation.....	2,647	2,829	1,935
Labor.....	796	1,405	1,032
Health and sanitation.....	3,889	6,122	6,389
Education.....	5,748	14,515	5,040
Public administration.....	2,350	5,550	1,973
Community development, social welfare, and housing.....	2,147	2,544	554
General.....	5,231	7,463	1,908
Total.....	34,100	63,250	32,360

Near East and Africa.

Each of the technical assistance programs in this area is designed to furnish technical advice in fields affecting the economic growth of the country concerned. It assists in establishing basic institutions in health and education, in agriculture, industry, and public administration which are necessary to improve the social and economic conditions of these nations. Further, it provides a basis for economic development programs, to insure their full effectiveness and increased participation by the people in the planning and execution of development programs.

The technical cooperation program in Iran is reaching the second phase of its development—national integration. During the present fiscal year and continuing into fiscal year 1957 the main effort will be in assisting the Government of Iran to take over the actual operation of diversified and highly popular programs. The "survey period" has ended; the Government is acquiring trained personnel and is preparing to incorporate into the programs of its ministries the activities that have been demonstrated and proved advantageous for Iran during the past 4 years. Rural development and public administration are emerging as the "main lines" of the technical cooperation program. They have the support of the Government as opposed to open skepticism of many Government officials in earlier years. In view of the resumption of oil revenues, Iran can finance its own capital development. The United States has accordingly withdrawn from this area of activity. Increased attention is being given to the training of able technicians.

The program in Iraq conforms closely to the fundamental objectives of technical cooperation. In view of its adequate financial resources, United States activities are limited to technical training and participation in certain fields that will make the largest contribution to Iraq's development. Specific technical cooperation objectives continue to be

Approved For Release : CIA-RDP59-00224A000100370004-1

20

MUTUAL SECURITY ACT OF 1956

assistance in land reclamation and water resources development in the Tigris and Euphrates Valleys; expansion of rural teacher training; assistance in the resettlement of landless peasants and improvement of health through a variety of simple and inexpensive but highly successful programs.

In the Arab States and in Israel, United States technical assistance has been directed primarily to achieving greater yields from the limited amount of arable land. Programs in irrigation and in soil conservation, plant breeding, and animal husbandry have contributed materially to the greater productivity of each of the countries. Demonstration projects and training programs have introduced to the area techniques and skills that have made it increasingly possible for these nations to take over the operation of a number of programs.

The United States technical assistance programs in Africa are helping to influence the evolution of the overseas dependencies of Europe in a direction that is favorable to the United States and the rest of the free world. Through direct assistance to overseas dependencies, which for fiscal year 1957 will be \$1,200,000, and by the demonstration of American techniques an opportunity is provided for economic and political development as an alternative to revolution, racialism, and other extremist action. Such assistance is also a means of assuring colonial peoples throughout the world of American interest in their welfare. The United States can make its most effective contribution to these dependent areas in the very place where the metropoles are weakest, for example, agricultural demonstration and extension and vocational education. Since these peoples are already beginning to look elsewhere than the metropole for help of this kind, there is an additional political interest in the United States meeting some of their legitimate aspirations.

Asia

Internal resources, which are modest in some countries and vast in others, economic assistance from the United States and other sources, and earnest governmental intentions are not likely by themselves to bring about the economic, political, and social progress for which most Asian nations aspire. Such progress is dependent in large part on more efficient use of all resources, human and material, through a wide variety of modern technical methods. Asia's people are seriously deficient in these skills for a number of reasons, which range from their exclusion from responsible positions by former colonial powers to relative isolation from the influence of the other nations of the free world. As a result, productivity is low, new investment is discouraged, endemic diseases still pervade some areas, educational levels are inadequate, and government operations and the execution of the United States aid programs are slower and less efficient than is desirable.

For these reasons technical cooperation assistance is needed (1) to aid with economic development through training and demonstration in agricultural, health, educational, industrial, administrative, and other technical skills; and (2) to increase the skills required to make United States and other assistance more effective and its impact more durable.

The amount of \$63.25 million is requested for technical cooperation programs in 14 nations in Asia for the next fiscal year. Costs of United States technicians, participant training, and contract services

Approved For Release : CIA-RDP59-00224A000100370004-1

account for almost three-quarters of the total. The balance is largely for demonstration supplies and equipment. For the region as a whole, almost 60 percent of the funds recommended will be used to improve education, and agricultural and industrial productivity. During the past year increasing emphasis has been given to public administration, including police training in a number of countries.

Pakistan, Indonesia, and India will require almost 45 percent of the total funds recommended for the next fiscal year. More than half of the assistance for Pakistan will provide agricultural demonstration and training, and improve public health practices. The program in Indonesia will give major attention to agricultural extension and other techniques for increasing farm productivity, mining and engineering advisory services, and police training. In India assistance will be devoted primarily to increasing food production and industrial productivity, and to improving educational practices.

Latin America

During the current fiscal year technical cooperation programs in Latin America amounted to \$28.4 million. For fiscal year 1957 a total of \$32.35 million is recommended for continuation of the programs. This sum includes \$50,000 for the implementation of an agreement with the Argentine Republic which involves training of participants in the President's atoms-for-peace program.

In the field of agriculture major attention has been directed toward diversification of one-crop economies, expanding agricultural output and agricultural worker productivity. Technical cooperation in vocational education, on-the-job training, industrial research, safety and industrial productivity has not only made an important contribution to increased technical competence but has provided the preconditions for attracting private investment. Through health and sanitation programs vast strides have been made in expanding and improving national public health services.

The method of operation in these and other fields is through the development and execution of programs jointly by the United States and the host country. The principal device for carrying out the programs is a joint service unit known as a servicio set up within the government of the host country. It is jointly administered and financed. According to evidence given to the committee, there are presently 56 servicios in operation. In addition, 19 such units have been terminated since the beginning of the servicio program in 1942. During fiscal year 1956 the financial contributions of the United States will be about \$5,700,000 and the cash contributions of the host governments will be about \$21,824,000 in addition to substantial contributions "in kind" from host governments. Since 1942 the servicios have originated 3,043 projects of which 1,853 had been completed or transferred to the host government and 1,190 remained active as of January 1, 1955.

Multilateral technical cooperation (sec. 5 (b))

Paragraph (1) authorizes the appropriation of \$15,500,000 for United States contributions to the United Nations expanded program of technical assistance in fiscal year 1957. This program operates on a calendar year basis. Last year the Congress voted \$24 million to cover the United States contribution through December 1956. Of

Approved For Release : CIA-RDP59-00224A000100370004-1
22 MUTUAL SECURITY ACT OF 1956

that amount, \$8.5 million was pledged for the last half of calendar year 1955 and \$15.5 million has been pledged for calendar year 1956. The amount carried in this bill to cover calendar year 1957 is identical with that pledged for calendar year 1956. The Congress has stipulated that United States pledges for this program can be made only on the basis of funds appropriated. In order that the United States pledge may be made in October 1956 for calendar year 1957, the committee recommends this authorization. It should be noted that the United States pledge for 1956 was made subject to the provision that the United States contribution would not exceed 50 percent of all contributions from other governments. Total pledges from other governments for 1956 are estimated at about \$14.5 million, calling for a United States contribution of the same amount. It is proposed that the United States contribution for 1957 should again be subject to the same limitation.

United States leadership in the United Nations is strengthened by our continued strong support of this program. The substantial contributions made by this Government have been interpreted by other countries of the free world as evidence of our good faith in desiring to promote the economic development and well-being of underdeveloped countries. Indication of the appeal of the program is the Soviet "about-face" toward it. For several years the program was denounced as a tool of "United States imperialism." Since 1954 the Soviet has pledged 4 million rubles, equivalent to \$1 million. Similarly the satellites have made pledges. The committee was informed by the Hon. Francis O. Wilcox, Assistant Secretary of State for International Organization Affairs, that—

No payment would be made to Soviet bloc experts from the United States contribution to the United Nations technical assistance program (hearings, p. 483).

In the light of this participation, it is more important than ever that the United States continue its support.

Paragraph (2) of section 5 (b) authorizes \$1.5 million for contributions to the technical assistance programs of the Organization of American States for fiscal year 1957. This sum will be contributed for calendar year 1957. As during the present year, the United States contribution will not exceed 70 percent of total contributions. Programs carried out under this fund are entirely regional projects. They are limited to the establishment and support of regional training centers. OAS technical assistance funds provide an additional technical training staff for existing educational facilities and provide fellowships for trainees from all the countries of Latin America to attend the centers.

Advances and grants, contracts (sec. 5 (c))

This section clarifies the existing 3-year provision in section 307 by confirming that contracts covered by that section may be extended beyond their original terms so long as any contract as amended does not at any time extend more than 3 years ahead. For example, a project involving a contract with a United States land grant college may not be completed within 3 years. In that case, the contract could be extended for a further period not to exceed 3 years and the unused balances thereunder used to complete the contract services in connection with the project.

MUTUAL SECURITY ACT OF 1956 28
SECTION 6—OTHER PROGRAMS

President's special fund (sec. 6 (a)) (MSA, sec. 401 (a))

Paragraph (1) permits the President each fiscal year to make special use of up to \$150 million of funds appropriated under authority of other provisions of the Mutual Security Act. It does not add any money to the bill. The President may use this money in furtherance of the purposes of this act or any other act for which funds are authorized by this act without regard to the requirements of such acts when he determines that such use is important to the security of the United States. This amendment increases the authority to use other funds for special purposes by \$100 million, that is, from \$50 million to \$150 million. This restores the special sum to the amount it was prior to the current fiscal year. This authority is in addition to the \$100 million authorized to be appropriated under paragraph (b). The amended language raises the maximum that may be given to any 1 country under this section from \$20 million to \$30 million.

Paragraph (2) authorizes \$100 million to be made available to the President for fiscal year 1957 for his special fund. This amount is identical to that authorized and appropriated for the current fiscal year. This fund is used to take care of contingencies affecting the security of the United States that may arise during the year and which cannot be foreseen. To divert money from planned programs would cause a disruption of their implementation and hence be wasteful. The committee noted last year that this authorization was recommended by the Comptroller General on the basis of his study of the operations of the Foreign Operations Administration, the predecessor agency of ICA.

Earmarking of funds (sec. 6 (b)) (MSA, sec. 402) (agricultural surpluses)

This section amends section 402 of the act, which relates to earmarking of funds for financing the export and sale for foreign currencies of surplus agricultural commodities, by providing that not less than \$250 million of funds authorized to be made available under the act for fiscal year 1957 may be used only for such purpose.

The committee believes that the surplus products of the farms of the United States should be used in every way possible to carry out the mutual security program. The requirement for the use of such commodities was reduced to the level recommended by the Executive. Because economic assistance to the industrial nations of Europe has been almost completely eliminated, the opportunity to supply aid in the form of agricultural commodities has been greatly curtailed. The countries of Asia and Africa, although their standard of living is very low, are predominately agricultural and cannot absorb imported agricultural products in greatly increased amounts.

The committee was impressed by the fact that the International Cooperation Administration has exceeded the minimum imposed by Congress in section 402 during fiscal 1955 and has already done so in fiscal 1956. The committee has confidence that those responsible for administering the program will continue to regard the figure given only as a floor, and not as a ceiling.

Restriction on use of United States aid that encourages agricultural production abroad.—The committee gave special consideration during its hearings on the bill to the problem created as a result of the use of United States aid to encourage the production by other nations of agricultural commodities. The basic issue was developed by Hon. Armistead I. Selden, Jr., in his questioning of Hon. John B. Hollister, Director, International Cooperation Administration, as follows:

Mr. SELDEN. Mr. Chairman. Mr. Hollister, are we continuing under this new program to give technical assistance to any nations who have now expanded their agricultural crops beyond their own requirements?

Mr. HOLLISTER. That is a very big question. We are doing our best to see that the technical assistance and the development assistance we give does not directly affect the ability of countries to export the things that our country has in surplus, or decrease the amount of imports that those countries would have with respect to those agricultural commodities of which we have surpluses.

* * * * *

But we are fully alive to the fact that we ought not to be spending directly to weaken or decrease the possibility of our distributing to the world market our agricultural surpluses. * * *

Mr. SELDEN. I would like for just a moment to call your attention to the following paragraph on this particular subject that was included in the report of this committee's study mission to Europe:

"An aspect of United States policy which, in the judgment of the study mission, should be carefully reexamined and reconsidered is our policy of giving technical assistance and other aid to nations to help them continue to expand their production of agricultural crops beyond their own requirements. In Greece (a comparable situation exists in Turkey for wheat and certain other crops) the production of cotton for export is being assisted even though such cotton competes with United States cotton in the markets of the world. We cannot object to any nation producing and selling cotton or other goods on a competitive basis, provided we do not subsidize this production. The situation is entirely different, however, when we spend our own funds in a manner which aggravates one of our most difficult problems and adds to the financial burden of our taxpayers."

This is very important for those of us who live in agricultural regions where we have surplus agricultural commodities.

Mr. HOLLISTER. We are fully alive to that. I would like to give you a copy of the memorandum which has been sent out to all of our people on this subject, because it is something that we have been watching pretty closely.

I want to add that we have even tried to work the other way. In certain countries where their chief product is one of those commodities of which we have surpluses, we are attempting to divert some of the acreage into other agricultural crops which are needed for a more balanced diet. It is not easy, but we are trying that out.

The committee notes with approval the attention that is being given by the International Cooperation Administration to this matter and recommends that all future technical assistance or other aid be extended in such a manner as to avoid competitive conditions that are damaging either to our own country or to recipient countries.

Joint control areas (sec. 6 (c)) (MSA, sec. 403 (b))

This bill authorizes \$12,200,000 for joint control areas, compared to \$21,000,000 authorized and appropriated for that purpose for fiscal 1956.

The term "joint control areas" refers to areas where the United States has participated with other nations in joint control arrange-

ments resulting from World War II. Except for a few hundred thousand dollars, to finance the exchange of industrial technicians with Austria, all of this money goes to Berlin.

The President recently reaffirmed that the United States has an "abiding interest in the security and welfare of Berlin" and that we "regard any attack against Berlin from any quarter as an attack on ourselves."

Berlin cannot subsist without external assistance. West German aid has increased each year, and is now about \$300 million, or more than 95 percent of the total outside aid. United States aid, which has been decreasing in recent years, supplements the West German efforts and gives support to special phases of the city's economic recovery.

The productive capacity of Berlin was 85 percent destroyed by wartime damage and Russian looting. Communist restrictions which denied access to surrounding territory and Berlin's loss of its position as the national capital and a financial and commercial center created serious unemployment, particularly among white-collar workers. The Communist blockade of 1948-49 seriously retarded recovery from this postwar situation.

With the aid of the United States and the Federal Republic, startling progress has been made. However, much remains to be done.

(1) Unemployment has been cut from more than 300,000 to approximately 145,000 at the end of 1955, but this is still 14 percent of the labor force, a level that would be intolerable elsewhere in Western Europe.

(2) In spite of improvement in external trade, the gap between exports and imports still exceeds \$400 million annually.

(3) Industrial production, although it has improved from less than 25 percent of the prewar rate, reached the 1936 level in 1955, and must increase further to compensate for the loss of prewar income from other sources.

(4) Berlin must also handle the refugees from the Communist areas who continue to seek asylum in Berlin at a rate of more than 15,000 per month.

Migrants, refugees and escapees (sec. 6 (d)) (MSA, sec. 405)

United Nations Refugee Fund (UNREF) (par. (1))

This paragraph authorizes \$2.3 million as a United States contribution to UNREF for the 18-month period beginning January 1, 1956; \$1.5 million is to be used as a contribution for the 1956 calendar year program and \$800,000 toward the first half of the 1957 calendar year program. UNREF, like the other United Nations voluntary programs, operates on a calendar year basis. The amount authorized should enable the United States to make a definite pledge at the UNREF pledging conference in November 1956 to cover the first 6 months of the 1957 calendar year program, and thus facilitate advance program planning by the High Commissioner for Refugees.

Approved For Release : CIA-RDP59-00224A000100370004-1

26

MUTUAL SECURITY ACT OF 1956

UNREF came into being as a result of a General Assembly resolution of October 1954. The resolution approved a 4-year effort by the United Nations High Commissioner to find permanent solutions to the problems posed by some 300,000 unassimilated refugees, mostly in Austria, Germany, Italy, and Greece. Some 66,000 of these still live in camps, many of them under wretched conditions. A solution to their problem is a high priority of the High Commissioner's program.

A United Nations Refugee Fund was established to consist of voluntary contributions from governments and from private sources. A 20-member Executive Committee, on which the United States sits, was established to provide policy direction to the High Commissioner and to review and approve proposed programs. The 20 members of the Executive Committee are all governments which oppose the tyranny of communism. Neither the U. S. S. R. nor any other Communist country is on that Committee. They cannot be members because the established criterion for membership is a "demonstrated interest in and devotion to the solution of the refugee problem."

This is called a permanent solutions program because its major objective is to integrate refugees into the countries in which they now reside—to make them useful and productive members of society and to rekindle hope in their futures. It is a self-help program, and international funds are combined with local funds to provide the small assistance necessary to give a start to the refugee on the road to becoming a self-supporting and self-respecting human being. The program also provides for permanent institutional care for difficult cases.

Finally, it provides limited emergency assistance for certain refugees mostly in the Middle East and China, who without such aid, face the prospect of starvation, or death by disease.

During the 6 months ending December 31, 1955, when the UNREF program was in actual operation, a total amount of \$3,134,916 was allocated to benefit an estimated 23,409 refugees. Of this number, 16,100 were assisted by the various permanent solutions projects, 6,400 received emergency assistance, and 909 "difficult cases" were placed in institutions.

In addition to the \$2 million contributed by 20 other governments to the 1955 UNREF program, the people of Holland in a national campaign raised \$750,000 as a private contribution to the fund. These sums do not include contributions of other countries in providing for the permanent maintenance and care of difficult cases admitted to their territories.

Mr. Christopher H. Phillips, Deputy Assistant Secretary of State for International Organization Affairs, testified as follows on the value of the program:

Continued United States support for this international effort on behalf of these unassimilated refugees is important for political and humanitarian reasons. It is an effective way of helping to blunt the current Soviet redefection campaign which seeks to discourage future defections from behind the Iron Curtain and to persuade those who have defected to return home. This campaign is particularly aimed at the hard-core residual group to which the High Commissioner's program directs its major efforts (hearings, p. 509).

Number and distribution of unassimilated refugees

Country	Total number of refugees			Number of refugees in camps		
	As at Jan. 1, 1955	As at Jan. 1, 1956 ¹	Change	As at Jan. 1, 1955	As at Jan. 1, 1956 ¹	Change
Austria.....	107,000	77,260	-29,740	50,000	34,500	-15,500
Belgium.....	11,000	8,300	-2,700	.....	.....	.....
France.....	40,000	37,000	-3,000	.....	.....	.....
Germany.....	97,000	78,800	-18,200	29,600	21,300	-8,300
Greece.....	7,800	5,700	-2,100	2,800	1,420	-1,380
Italy.....	19,000	14,100	-4,900	6,000	3,580	-2,420
Middle East ²	3,200	2,800	-400	.....	.....	.....
China.....	14,000	13,300	-700	.....	.....	.....
Total	299,000	* 237,260	-61,740	88,400	* 60,800	-27,600

¹ Provisional estimates.

² Egypt, Iran, Jordan, Lebanon, Syria, and Turkey. Nansen refugees of Armenian and Assyrian origin are excluded.

* Not including new arrivals during 1955 estimated at 6,740 of whom an estimated 4,900 are in camps.

United States escapee program (par. (2))

This paragraph authorizes \$7 million for fiscal year 1957 for the United States escapee program. This program, formerly administered by the International Cooperation Administration, is now administered by the Department of State, effective April 1, 1956 (Executive Order 10663).

The purpose of the United States escapee program is to provide care and maintenance and resettlement assistance to recent anti-Communist escapees in Europe, and to selected escapees in the Far East and other areas on the periphery of the Iron and Bamboo Curtains. This assistance supplements the considerable programs of local governments of asylum and of international and voluntary organizations engaged in refugee service, and takes maximum advantage of receiving governments' immigration programs. The refugees assisted by the escapee program are not accorded assistance by the United Nations Refugee Fund which is principally engaged in the local integration of the earlier group of refugees. These humanitarian activities are consistent with the natural desire of the people of the United States to help, and retain the friendship of, the captive populations within the Soviet orbit.

The program has a caseload at the present time of 29,000 persons. It has been concerned with 83,000 persons since its inception 4 years ago. Of that number, just short of 30,000 people, through the intensive and specialized effort of the program, have been resettled, or successfully locally integrated. Another 23,000 have been removed from the initial registration which placed them on the caseload, either because, for one or another reason, they proved unqualified or ineligible, or proved not to be in need of assistance, or for other reasons.

Mr. Laurence A. Dawson, Chief, Escapee Program Division, of the Department of State, in his testimony stressed the importance of the program to United States interests in these words:

Success in this effort promotes important interests of the United States Government in relation to escapees and their significance, and especially in demonstrating once again, and in a very effective way, the concern of the free world and of the United States particularly, for the captive populations of whom these escapees are a part—the minor fraction who have succeeded in escaping.

During the past year, the Soviets have greatly intensified their campaign to discredit the escapees and refugees. In so doing they have sought to bring about

Approved For Release : CIA-RDP59-00224A000100370004-1

28

MUTUAL SECURITY ACT OF 1956

the return of as many as possible. Soviet objectives have been consistent over the years in this field. They have sought to preclude escape in the first instance; secondly, to secure the repatriation of those who have escaped, and finally, to preclude assistance to those whose repatriation they cannot secure. Their emphasis in this past year has been on that third phase, discrediting and precluding assistance to those large numbers—the large majority who are out and who will not return.

In short, their objective is to win the voluntary support of the 900 million people now captive in the Soviet orbit. There can be no question but that they attach major importance to this refugee question in direct relation to that major objective (hearings, p. 526).

United Nations Children's Fund (UNICEF) (sec. 6 (e)) (MSA, sec. 406 (b))

This subsection authorizes a United States contribution to UNICEF for calendar year 1957 of \$10 million.

This marks the 10th anniversary of the fund. Originally established as an emergency operation to help meet the terrible conditions of hunger and want among children in Europe following World War II, UNICEF has devoted practically its entire resources in recent years to assisting the less advanced countries in Asia, Africa, and Latin America in the development of permanent child health and welfare services and in the control and eradication of debilitating diseases.

The United States played a leading role in the establishment of UNICEF and has given generous assistance to the fund since its inception. From 1946 through 1955 this Government contributed a total of \$114,531,000. In addition, in accordance with last year's authorization and appropriation for an 18-month period, the United States has pledged another \$9,700,000 for 1956. Other governments have increased their contributions to the program by 122 percent between 1952 and 1955. As a result, the United States has been able to reduce the percentage of its contribution from a maximum of 72 percent in 1952 and prior years, to 57.5 percent in 1956, while at the same time total funds available to the program have increased. An additional reduction in the United States percentage to 55 percent is proposed for 1957.

Of significance are the amounts which the governments receiving aid are committing to projects in local currencies and in such other form as local personnel, services, transportation, and locally available supplies, equipment, and facilities. Of the total funds that go into UNICEF-aided programs, about one-third are provided from the central account. Local contributions comprise the remaining two-thirds. In 1955, for example, the recipient governments committed \$25.7 million in local contributions. Since governments other than the United States also contributed more than \$6 million to the central account, the resultant proportion of the United States contribution to total government contributions to UNICEF from all sources is 22 percent.

The principal areas of activity receiving UNICEF assistance are—

1. Basic maternal and child-health and welfare services, including the establishment of rural health centers and clinics and the training of nurses and midwives.

2. Mass health campaigns against such crippling and killing diseases as malaria, yaws, tuberculosis, trachoma, and leprosy.

3. Activities to improve nutrition including long-range child-feeding programs and the increased production and use of milk.

Approved For Release : CIA-RDP59-00224A000100370004-1

Approved For Release : CIA-RDP59-00224A000100370004-1

4. A limited amount of UNICEF's resources each year is used to provide emergency assistance for the victims of catastrophes such as earthquakes, floods, droughts, and famines, where the welfare of the child population is seriously affected. Such aid is primarily in the form of food and clothing. In 1955 emergency assistance constituted only 6 percent of the total program, which is the smallest proportion since UNICEF was established.

United Nations Children's Fund—Summary of beneficiaries in 1955

Number of programs aided by UNICEF in 1955-----	264
Number of countries and territories assisted-----	92
<hr/>	
Number of beneficiaries:	
BCG antituberculosis vaccination (children vaccinated)-----	16, 531, 000
Antimalaria campaigns (children and mothers protected)-----	6, 107, 000
Yaws control (children and mothers treated)-----	1, 660, 000
Trachoma control (children treated)-----	1, 131, 000
Feeding through school lunches and maternal and child-welfare centers (peak number of children receiving daily ration)-----	3, 000, 000
Emergency feeding (peak number of children receiving daily ration)-----	2, 700, 000
<hr/>	
	1 31, 129, 000

¹ Not included in the above are the many children and mothers who receive benefits (other than milk) from the over 10,000 maternal and child-welfare centers, clinics, and children's and maternity hospitals aided by UNICEF. There are still more beneficiaries from UNICEF assistance to vaccine production plants, leprosy control, communicable disease control, and milk-drying and pasteurization plants.

Last fall, Hon. Frances P. Bolton, ranking minority member of the Subcommittee on the Near East and Africa of the committee, conducted a 3-month study mission to Africa, which included the operations of UNICEF in that area. In commenting on the value of UNICEF, Mrs. Bolton stated during her questioning of Dr. Martha Eliot, United States representative on the UNICEF Executive Board, on the program:

I would just like to say that one of the sunny places in Africa is the work of the Children's Fund. When you see the children of Africa and see all they are subjected to by way of disease, and feel that certain diseases are going to be eradicated and will no longer exist in that country, and that they will come into a different aspect of living, it is quite beyond me to express what I think about the work you are doing. I am sure that much is happening in every other country in the world where you are. I happen to have seen it at close range there (hearings, p. 522).

Palestine refugees in the Near East (sec. 6 (f)) (MSA, sec. 407 (b))

The United Nations Relief and Works Agency (UNRWA) has experienced difficulties in obtaining agreements necessary to proceed with the major resettlement programs for the refugees. No contribution is now scheduled by the United States toward UNRWA's resettlement program from the funds appropriated for fiscal year 1956. It is expected that \$45.3 million will be unobligated. The amendment in this subsection makes clear that this unobligated balance, which is authorized to be continued available in fiscal year 1957, may be used for the purposes indicated in this subsection.

Ocean freight charges (sec. 6 (g)) (MSA, sec. 409)

(1) *Relief packages.*—An appropriation of \$1.4 million is authorized to continue the ocean freight support on shipments of relief and rehabilitation supplies by approved American nonprofit voluntary agencies engaged in relief activities abroad. Approved agencies are the American Red Cross and those registered with the Advisory

Committee on Voluntary Foreign Aid. These private agencies draw their principal support from voluntary donations of the American people both in cash and in kind.

Supplies valued at \$28 million will have been shipped and distributed this fiscal year at a cost to the Government of \$2 million. In terms of the value of the goods furnished and delivered, the cash outlay on the Government's side is multiplied 14 times. These goods include specifically food, clothing, medical and hospital supplies, school supplies, hand tools for trades and agriculture, and other self-help supplies. Much of these goods are donated in kind without any cash contribution to cover delivery costs. Without ocean freight support, the program could not go forward.

In each case, before expending funds appropriated for this purpose, a formal agreement is entered into between the United States Government and the receiving government, which guarantees on the part of the latter duty-free entry of goods and the payment of inland transportation costs from port of entry to the ultimate point of distribution. The American agencies for their part bear the cost of solicitation, processing, warehousing, packaging for export, and transportation to United States ports, plus the salaries and other administrative costs in maintaining field representatives in the countries of reception to supervise distribution. Under regulations which have been established for the program, all goods are adequately marked to identify their United States origin. These markings bear the United States emblem and the wording "Gift of the American people—Ocean freight paid by the U. S. Government." Additionally, each agency must maintain in the recipient countries United States citizen representatives to supervise distribution and to insure that the supplies reach the persons for whom they are intended.

(2) *Agricultural surplus.*—This paragraph authorizes \$14 million to pay the ocean freight on United States surplus agricultural commodities supplied to foreign nations under titles II and III of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480, 83d Cong.), which authorized assistance to friendly peoples in meeting famine or other relief requirements and the distribution of surplus agricultural commodities by voluntary agencies.

The committee was advised that the voluntary agencies estimated that a sum of \$30 million would be necessary to pay the cost of ocean freight on the agricultural surplus commodities they planned to ship during fiscal 1957. The committee was informed that section 208 of the Agricultural Act of 1956, which has been approved by the Congress, authorizes the use of Commodity Credit Corporation funds for this purpose and consequently considered that an increase in this authorization was unnecessary.

Of the \$14 million requested \$2 million is planned to finance title II ocean freight costs for fiscal year 1957. It may be necessary to supplement this amount by transfer of \$4 million of funds appropriated for other programs. This tentative estimate of \$4 million, together with the \$2 million requested for fiscal year 1957, will cover less than half of the total estimated title II freight cost of \$13.4 million. This is a reduction of \$500,000 from the amount of freight costs financed from mutual security funds in fiscal year 1956 and is based on the expectation that the recipient governments and to some extent the voluntary agencies will continue to finance a larger share of the ocean freight.

The other \$12 million of the \$14 million requested is planned to cover ocean freight costs on that part of the program which is handled by the United States voluntary agencies under title III. This represents a reduction of \$500,000 against the amount actually programmed for such movements during fiscal year 1956. This reduction is accounted for partially, at least, by the fact that several receiving countries have agreed to take over the ocean freight costs on these surplus commodities in fiscal year 1957. (Title III ocean freight financing by recipient countries and voluntary agencies, or either, is expected to increase from \$3.5 million in fiscal year 1956 to \$7.2 million in fiscal year 1957.) On the other hand, the savings resulting thereby have been largely offset by the substantially increased potential for surplus shipments in fiscal year 1957 resulting from the availability for the first time under title III of wheat, rice, corn, and beans. The \$12 million which is being requested would move approximately 735 million pounds of all the available surplus foods. The \$7.2 million which it is estimated will be available from other than United States Government sources will move roughly 440 million pounds, making a total of 1,175 million pounds as the projected movement under title III. This compares with 903 million total pounds in fiscal year 1956 and roughly 560 million pounds in fiscal year 1955.

Control Act expenses (sec. 6 (h)) (MSA, sec. 410)

This subsection authorizes \$1,175,000 to meet the expenses of administering the Mutual Defense Assistance Control Act of 1951 (Battle Act). This is the same amount as was authorized and appropriated for fiscal 1956. The Director of the International Cooperation Administration is responsible for the administration of the Battle Act program for controlling exports of strategic materials to the countries behind the Iron Curtain by countries which receive United States aid. The tendency on the part of other nations to relax restrictions on trade with the Soviet bloc, in addition to the relaxations to which the United States has already agreed, makes it necessary for the United States to continue its expenditures at the same level as in previous years for international negotiation and the analysis of the strategic significance of individual items.

Administrative and other expenses (sec. 6 (i)) (MSA, sec. 411)

Paragraph (1) authorizes \$35,250,000 for administrative expenses of all parts of the mutual security program except military assistance and direct forces support. ICA expects to spend about \$34,250,000 for these expenses this year. Thus, the authorization recommended in this paragraph represents an increase of about \$1 million for fiscal year 1957. While European operations will again be reduced next year, the savings effected in that area will be offset by the expansion of missions and operations in the Near East and Africa and the Far East.

The number of program technicians and foreign participants is one measure of administrative workloads borne by ICA. From fiscal year 1955 to 1957, the number of technicians is expected to increase by 45 percent and the number of foreign participants is expected to increase by 47 percent. During this same period the total number of administrative American and local positions is expected to increase by only 6 percent.

Paragraph (2) section 411 (c) specifies that not to exceed \$1.5 million of funds made available under title II may be transferred in fiscal year

Approved For Release : CIA-RDP59-00224A000100370004-1

32

MUTUAL SECURITY ACT OF 1956

1957 for use for necessary administrative expenses of carrying out functions under the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480, 83d Cong.) which are assigned to an agency or officer responsible for nonmilitary assistance under the act (see definitions in sec. 10 (b) (2)). This new language will provide funds to cover administrative expenses incurred by the International Cooperation Administration in carrying out its functions with respect to foreign currencies derived from sales of surplus agricultural commodities under Public Law 480. At present no appropriations are expressly authorized for this purpose, and with the increasing scope and importance of Public Law 480 functions, it is now essential to provide a source of appropriated funds to cover their costs.

Paragraph (2) section 411 (d) authorizes the Department of State to put in its annual appropriation bill amounts necessary for salaries and expenses incurred for normal functions of the Department which relate to functions under the mutual security program. At present such salaries and expenses are included in appropriations for administrative expenses for the nonmilitary part of the mutual security program (sec. 411 (b)). For example, the Department of State has a Legal Adviser's Office. A small part of its total workload is devoted to legal matters, including problems relating to international agreements, concerning the mutual security program. Instead of prorating the hours devoted to this program (which is only a small part of its regular activities) and making financial adjustments between two Government agencies for these limited services, it will be possible for the Department to include these costs in its annual appropriation bills.

Encouragement of private enterprise (sec. 6 (j)) (MSA, sec. 413 (b) (2))

This section makes more precise the mandate contained in section 413 (b) (2) of existing legislation, which requires the President to--accelerate a program of negotiating treaties for commerce and trade, including tax treaties, which shall include provisions to encourage and facilitate the flow of private investment to nations participating in programs under this act.

It is the committee's view that the purpose behind that section can be more readily accomplished if the treaties negotiated contain, in addition to provisions encouraging and facilitating the flow of American private capital to such nations, a provision on its equitable treatment in those countries.

Investment guaranties (sec. 6 (k)) (MSA, sec. 413 (b) (4))

Broadened coverage.—This section amends existing provisions relating to the investment guaranty program in the following particulars:

(a) It extends from June 30, 1957, to June 30, 1967, the time in which the President is authorized to issue investment guaranties.

(b) It makes clear by express statutory direction that the investment guaranty program shall be retained by ICA. In conformity with this action, the committee also in section 9 (a) of the bill specifically excluded from the power of the President to delegate his authority under the Mutual Security Act the power to delegate the investment guaranty program to any agency other than the ICA. The committee was much concerned lest the program, which now appeared to be over its trial-and-error period, should be transferred from the ICA to the Export-Import Bank. As stated by Hon. Walter H. Judd during the hearings on this measure:

I think this operation ought to be in the ICA because it isn't primarily a banking operation; it is primarily a matter of helping these countries get a maximum of

Approved For Release : CIA-RDP59-00224A000100370004-1

Approved For Release : CIA-RDP59-00224A000100370004-1

MUTUAL SECURITY ACT OF 1956

33

industrialization and economic improvement through the use of private capital and private management, and it ought to be tied in with other parts of programs to those ends in which we are giving grant or loan aid. I think it ought to be all under one roof (hearings, p. 691).

After hearing the testimony of representatives of the executive branch on this specific question, the committee was convinced that the retention of the program in the ICA (rather than its transfer to the Export-Import Bank) would best fulfill the objectives and purposes of the mutual security program. This is in keeping with other provisions written by the committee into the bill, broadening substantially the role and importance of private enterprise and private participation in the mutual security program.

It is understood that under this language, the Director of the International Cooperation Administration may continue the practice of using the Export-Import Bank for the servicing of guaranty contracts.

(c) It raises from \$200 million to \$500 million the total face value of guaranties which can be issued, and it excludes from this figure all informational media guaranties which have been or will be issued. The issuing authority is presently reduced by the amount of informational media guaranties issued. An indication of the increased private investor interest in the program, recently manifested, can be gaged from the applications for investment guaranties now being processed by the International Cooperation Administration. These total \$293,514,822 and cover industrial enterprises from 24 States of our Nation. In addition, basic agreements with cooperating countries have been rising markedly until they now include 30 countries. The committee notes with approval that 9 are in the Latin American area. Whether this stimulation is attributable to the increased efforts expended by the present investment guaranties staff of the International Cooperation Administration, or to increased private investor interest, the committee intends that, in increasing the guaranty authority, the investment guaranty shall be used wherever possible as a substitute for loans and grants in this program. As was stated by the President of the United States:

Through increasing two-way international trade and stimulating in every practical way the flow of private investment abroad we can strengthen the free world, including ourselves, in natural and healthy ways. By so doing, we can lessen and ultimately eliminate the heavy burden of foreign aid which we now bear. Both we and our friends abroad earnestly desire to see regular trade and investment replace grant assistance (H. Doc. 138, 83d Cong., 1st sess., p. 2).

(d) Under present legislation, the issuing authority is reduced by the face amount of every guaranty written. However, when guaranties are canceled, reduced, or expire, without having been called upon, the issuing authority is correspondingly restored or increased. Issuing authority is not restored or increased under circumstances where payment is made under a guaranty, and foreign currency or property acquired by virtue of such payments is subsequently sold for dollars. (Up to July 1, 1955, \$10.5 million was realized from the sale of foreign currencies acquired through the operation of the informational media guaranty program.) This bill provides that where the local currency or other assets received as a result of payments under guaranty contracts are converted into dollars, the issuing authority shall be restored or increased to the extent such dollars become available. The bill also provides that payment under the guaranties may be made from dollars obtained through such liquidation of local currency. Inasmuch as no payments have been made to date, pursuant to investment

Approved For Release : CIA-RDP59-00224A000100370004-1
34 MUTUAL SECURITY ACT OF 1956

guarantees, this provision will have no immediate effect upon the administration of the investment guaranty program.

(e) The informational media guaranty program is removed completely from the investment guaranty program. In this separation, the Director of USIA would be authorized to assume the obligation of \$28 million of the notes authorized by section 111 (c) (2) of the Economic Cooperation Act of 1948, as amended. \$10.5 million realized from the sale of foreign currencies, discussed in (d) above, in addition to being a charge against issuing authority, has been charged against borrowing authority. Hence, \$161.5 million of borrowing authority would remain to back the issuance of investment guarantees, plus fees collected on investment guarantees. As of July 1, 1956, however, it is estimated that \$100 million worth of investment guarantees will have been issued, and, as discussed in (g) below, these guarantees require full backing. Thus, on July 1, 1956, it is estimated that \$63 million will be available in borrowing authority and fees. The committee has decided to increase this backing by authorizing the Director of the International Cooperation Administration to issue up to \$37.5 million of additional notes. This will make a total of \$100.5 million available on July 1, 1956, for backing of guarantees.

(f) By thus providing for an issuing authority which exceeds in amount the sources from which payments pursuant to guarantees may be made, the legislation institutes the so-called fractional reserve. Accordingly, it is provided that guarantees shall be considered as obligations of the United States, for fiscal purposes, only to the extent of their probable ultimate net cost to the United States. In this connection, the Director of the International Cooperation Administration is authorized to determine the ultimate net cost with respect to individual guarantees and types of guarantees at different rates.

(g) The legislation specifically provides that all investment guarantees issued prior to July 1, 1956, must be fully backed by sources for payment. Thus the fractional reserve does not apply to those guarantees.

(h) The program is broadened so as to cover losses caused by war, revolution, and insurrection. The House has three times approved such a provision, and the committee is strongly of the view, concurred in by many private and governmental studies and by the President himself, that such a provision would substantially increase American private investment abroad.

Estimated fiscal position of program on July 1, 1956.--Under this bill the investment guaranty program will be in the following position on July 1, 1956, using estimates of operation for the remainder of the fiscal year:

	<i>Millions</i>
Issuing authority for investment guarantees-----	\$500
Less:	
Investment guarantees issued and outstanding on Apr. 1, 1956-----	185
Estimated investment guarantees to be issued between Apr. 1 and July 1, 1956-----	15
	<hr/>
	100
Estimated issuing authority as of July 1, 1956-----	400

¹ This is the net figure obtained after deducting cancellations, deductions, and expirations. A total of \$106.5 million in guarantees was written up to Apr. 1, 1956.

Approved For Release : CIA-RDP59-00224A000100370004-1

Sources for payments to be made under investment guaranties under this bill are as follows:

	<i>Millions</i>
Notes authorized by sec. 111 (e) (2) of the ECA Act of 1948-----	\$200.0
Notes authorized by this bill-----	37.5
Total-----	237.5
Less:	
Notes to be assumed by Director of USIA-----	28
Funds expended in administration of informational media guaranty program-----	10.5
Total investment guaranties estimated to be issued by July 1, 1956, which must have full backing-----	100
	138.5
	99.0
Plus fees estimated to be collected on investment guaranties up to July 1, 1956-----	1.5
Total sources available July 1, 1956, to make payment on investment guaranties-----	100.5

Thus, on July 1, 1956, the President will have authority to issue up to \$400 million in investment guaranties, and he will have on that date a total of \$100.5 million from which to make payments. This amounts to a fractional reserve of 25.2 percent on July 1, 1956. If the total of investment guaranties issued during the remainder of fiscal year 1956 is less than the estimated \$15 million, noted above, then the fractional reserve will be correspondingly increased. As the administration of the program proceeds, however, the fractional reserve may be varied the following ways:

- (1) Through increased receipt of fees paid in under guaranty contracts.
- (2) As guaranties issued before July 1, 1956, are canceled, reduced, or expire, the funds allocated to those guaranties will be released. The old guaranties must be fully backed by funds for payment, whereas the new guaranties are subject to the fractional reserve. Thus, the reserve ratio, which only applies to the new guaranties, will be varied as funds are released from backing old guaranties and are allocated to new ones.
- (3) The reserve ratio will also vary when payments are made on any of the new guaranties which are subject to the fractional reserve. However, reductions in the ratio resulting from such payments will be restored to the extent that foreign currency or property acquired by virtue of such payments is sold for dollars.

Reasons for "fractional reserve" procedure.—In the 8 years since the investment guaranty program was originally authorized, no payments whatsoever have been made pursuant to investment guaranty contracts. The informational media guaranty program has been the sole cause to date for such depletion as has taken place in the guaranty funds. As against this record, about \$1.5 million has been received in fees on investment guaranty contracts since the inception of the program.

While this record might make it appear that the program is self-supporting, ICA believes that the program is more in the nature of insurance against catastrophe. Thus, it is felt that in the event of

Approved For Release : CIA-RDP59-00224A000100370004-1
36 MUTUAL SECURITY ACT OF 1956

any worldwide foreign exchange crisis, many claims might be made under guaranty contracts in a comparatively brief period. It is believed that the reserve which will be available under the program is adequate to back the investment guarantees. The principle of fractional reserve also has the backing of the National Advisory Council on International Monetary and Financial Problems. The following points seem persuasive:

(1) To date, it has not been necessary to make payment on any investment guaranty.

(2) Guarantees may presently be issued to cover investments in 30 countries throughout the world. It is expected that the number of countries with bilateral guaranty agreements with the United States will increase. It is extremely unlikely that guarantees in all of these countries will be called upon at the same time.

(3) Payments made pursuant to guaranty contracts are not total losses. It is expected that local currencies acquired pursuant to convertibility contracts will subsequently be sold for dollars, and, under the new legislation, these dollars may be used for further payments under guaranty contracts. Of the \$21.8 million paid out under informational media guaranty contracts as of March 31, 1956, about \$12.3 million has been recovered through their sale for dollars. It is also expected that the United States would eventually realize dollars from the claims acquired from the investor under expropriation guarantees.

(4) Many investors have obtained both convertibility and expropriation guarantees to protect the same investment. It is unlikely that the convertibility and expropriation guarantees would both be called into play to their total face amount. Under ICA accounting procedure, both guarantees are charged to the guaranty authority.

(5) Fractional reserve is an accepted insurance practice. Casualty insurance companies only maintain as a reserve a fraction of the amount of the total liability contracted under their insurance contracts. The same reasoning applies in the case of investment guarantees.

Importance of program.--The committee has consistently attached considerable importance to the operations of the investment guaranty program. It has been part of the foreign aid effort of the United States since the enactment of the Economic Cooperation Act of 1948 and is now an integral and well-established part of the Mutual Security legislation.

The investment guaranty program has received steady and continuous consideration by the Congress, particularly the House Foreign Affairs Committee, and the provisions with respect to that program have been substantially broadened in philosophy, scope and coverage by the Congress following the committee's recommendations. The importance which the committee has attached to the investment guaranty program was clearly restated and reemphasized in its report last year on the Mutual Security Act of 1955:

The committee has in the past emphasized the importance which it attaches to the private enterprise provisions of the mutual security legislation. It repeats that emphasis here. An essential role of private enterprise in mutual security is the investment guaranty program, which is a worldwide program and not restricted

Approved For Release : CIA-RDP59-00224A000100370004-1

MUTUAL SECURITY ACT OF 1956

to those countries receiving assistance under this act. Section 413 (b) (4) (G) of the mutual security law contains the following mandate:

"The guaranty program authorized by this paragraph shall be used to the maximum practicable extent and shall be administered under broad criteria so as to facilitate and increase the participation of private enterprise in achieving any of the purposes of this act."

* * * * *

The committee expects this program to be administered effectively and with the principle firmly in mind that private enterprise is an important and permanent arm of, and under, the mutual security program. (H. Rept. 912, 84th Cong., 1st sess., pp. 42-43.)

In his message to the Congress on further developing the foreign economic policy of the United States, the President on January 10, 1955, stated:

The whole free world needs capital; America is its largest source. In that light, the flow of capital abroad from our country must be stimulated and in such a manner that it results in investment largely by individuals or private enterprises rather than by Government.

An increased flow of United States private investment funds abroad, especially to the underdeveloped areas, could contribute much to the expansion of two-way international trade. The underdeveloped countries would thus be enabled more easily to acquire the capital equipment so badly needed by them to achieve sound economic growth and higher living standards. This would do much to offset the false but alluring promises of the Communists (H. Doc. 63, 84th Cong., 1st sess., p. 4).

More recently the President reiterated the importance which he attaches to the flow of American private capital abroad and the encouragement of such private investment through the guaranty program. In his message to the Congress on the proposed mutual security program for fiscal year 1957, the President on March 19, 1956, stated:

We must continue to stimulate expansion of trade and investment in the free world. We must continue helping to build the productive capacities of free nations through public loans and guarantees of private investment (H. Doc. 358, 84th Cong., 2d sess., p. 2).

The relationship of the investment guaranty program to the entire mutual security program was summed up in the following interchange during the hearings:

Mr. VORYS. Mr. Chairman, this guaranty program has been merely fractionalizing the general insurance that we hope to provide through the whole foreign aid program.

We have bet \$55 billion that if we try to help these countries, there isn't going to be a war and that we will end up with a peaceful world where people pay their debts.

If we can get paid 1 percent, or something like that, for applying that general guaranty to a particular project, we are not increasing our general risk at all. That has always been my theory.

Chairman RICHARDS. You might extend that further with this argument, if you can spend a billion in a country in the face of possibly war and revolution, why couldn't you spend some of it for a program like this which would guarantee investments against that risk? (hearings, p. 694).

The broadened provisions of the investment guaranty program should permit the International Cooperation Administration sufficient latitude to achieve the potentials generated by 8 years of continuous congressional and executive branch activity. The committee urges and expects the executive branch to give the program full support and effort, including the negotiation of guaranty agreements with additional countries.

Countries with which the United States has agreed to institute the investment guaranty program

Country	Date of agreement		Country	Date of agreement	
	Convertibility	Expropriation		Convertibility	Expropriation
Austria	Mar. 23, 1949	Feb. 16, 1952.	Israel	Aug. 8, 1952	Aug. 8, 1952.
Belgium	May 7, 1952	May 7, 1952.	Italy	June 17, 1949	Dec. 28, 1951.
Bolivia	Sept. 23, 1955	Sept. 23, 1955.	Japan	Mar. 4, 1954	Mar. 4, 1954.
China (Formosa)	June 25, 1952	June 25, 1952.	Netherlands	Mar. 3, 1919	Oct. 7, 1952.
Colombia	Nov. 18, 1955	None.	Norway	Oct. 29, 1948	Apr. 1, 1952.
Costa Rica	Feb. 25, 1955	Feb. 25, 1955.	Pakistan	May 26, 1955	May 26, 1955.
Denmark	Aug. 13, 1952	Aug. 13, 1952.	Paraguay	Nov. 15, 1955	Nov. 15, 1955.
Ecuador	Mar. 29, 1955	Mar. 28, 1955.	Peru	Mar. 16, 1955	None.
France	Mar. 3, 1949	July 22, 1952.	Philippines	Feb. 19, 1952	Feb. 19, 1952.
Germany	July 29, 1950	Apr. 23, 1951.	Portugal	May 25, 1953	May 25, 1953.
Greece	Apr. 19, 1949	Apr. 21, 1952.	Spain	Sept. 26, 1953	Sept. 26, 1953.
Guatemala	Mar. 23, 1955	Mar. 23, 1955.	Thailand	Aug. 27, 1954	Aug. 27, 1954.
Haiti	Apr. 15, 1953	Apr. 15, 1953.	Turkey	Nov. 15, 1951	None.
Honduras	June 10, 1955	June 10, 1955.	United Kingdom	Oct. 1, 1948	Do.
Ireland	Oct. 5, 1955	Oct. 5, 1955.	Yugoslavia	Aug. 15, 1952	Aug. 15, 1952.

Guaranty applications in process by State of residence of applicant (as of May 1, 1956)

Arizona	\$175, 000	Minnesota	\$3, 415, 146
California	35, 583, 784	New Jersey	381, 750
Connecticut	2, 115, 000	New York	97, 813, 212
District of Columbia	11, 400, 000	Ohio	9, 142, 400
Delaware	2, 221, 500	Oregon	494, 000
Idaho	6, 000, 000	Pennsylvania	4, 691, 500
Indiana	14, 934, 000	Rhode Island	1, 000, 000
Illinois	13, 591, 500	South Carolina	300, 000
Louisiana	4, 000, 000	Tennessee	200, 000
Maine	980, 000	Texas	20, 270, 000
Maryland	1, 388, 100	Washington	3, 729, 430
Massachusetts	26, 377, 500		
Michigan	33, 311, 000	Total	293, 514, 822

Prepared by Investment Guarantees Staff, ICA.

Assistance to international organizations (sec. 6 (1)) (MSA sec. 115)

This section amends section 415, which now authorizes assistance to NATO, so as to permit the furnishing of assistance also to the Organization for European Economic Cooperation (OEEC) in addition to NATO.

This authority is requested in order to continue in substantially the same magnitude but in different form United States support of the European Productivity Agency (an agency of OEEC). Past United States support which has come directly from section 131 funds on a project-by-project basis has been instrumental in the creation and successful growth of a joint program by the European countries to raise their productivity and thus their general contribution to free world strength. Centralization of these efforts through the European Productivity Agency (EPA) encourages European economic integration, and gives concrete substance to the United States desire, recently reaffirmed by the President and the Secretary of State, for the fullest practicable cooperation with our European allies.

In recognition of the EPA's growing maturity and competence, the executive branch is proposing to change the form of United States support in order to (a) strengthen EPA's position as coordinator of European productivity efforts, (b) shift increasingly the administrative burden and cost of ICA-supported productivity activities from ICA to the EPA, and (c) encourage increased direct contacts between the EPA and private United States groups. In the past ICA has

Approved For Release : CIA-RDP59-00224A000100370004-1

MUTUAL SECURITY ACT OF 1956

financed directly the dollar costs of providing United States technicians to Europe or of visits of teams of Europeans to the United States. Approximately \$1,430,000 will be provided in 1956 for regional projects. For 1957 it is proposed that a lump-sum grant of \$1,500,000 be made directly to the EPA to continue joint United States and European efforts in these areas. Providing United States assistance in this form will make it possible to give EPA additional responsibility for administration of the program, although the United States would continue to review and approve EPA activities supported with United States moneys. The funds are included in the section 131 authorization request.

ICA recently indicated to the OEEC that any future request for funds from the United States Congress would depend on a specific reaffirmation by member countries of their desire to continue the EPA program, and on pledges by member countries of new financial support to the Agency. This affirmation has been provided. OEEC member countries have developed a program for the Agency through 1960, which includes contributions of the equivalent in other currencies of approximately \$1.75 million annually from member countries. This represents a quadrupling in the level of annual country contributions. In addition, countries will continue to pay the direct costs of their participation in EPA projects and to support their own national productivity budgets. ICA anticipates final OEEC action on this proposal for future financing of the Agency before the end of fiscal year 1956.

President's fund for Asian economic development (sec. 6 (m))

In order to combine various aid authorizations into a single authorization for development assistance, it is necessary to repeal the authorization in section 418 for the President's fund for Asian economic development. Of the \$200 million authorized last year \$100 million was appropriated. The use of any unexpended balance of this \$100 million in accordance with the original authorization is permitted under section 201.

Section 6 (n)

Section 420. Food and Agriculture Organization.—This section increases the ceiling on United States annual contributions to the Food and Agriculture Organization (FAO) from \$2 million to \$3 million.

The FAO was established during World War II as the result of United States initiative. The United States has been a member since 1945. Seventy-two nations participate in FAO. None of the Soviet bloc countries is a member.

The increased ceiling is necessary in order for the United States to meet its anticipated assessment in the Organization. While the present United States assessment is 31.5 percent, the percentage of the United States contribution will be 33½ percent in 1958 and subsequent years, which will mean a United States assessment in excess of the present statutory ceiling. The budget of the FAO has been expanding slowly over the past years as its work and operating costs have increased. The increase in the United States contribution ceiling from \$2 million to \$3 million will permit an orderly expansion of FAO activities in the future.

Recently, the Subcommittee on International Organizations and Movements, under the chairmanship of Hon. A. S. J. Carnahan, held hearings on the accomplishments of FAO and the effectiveness of

Approved For Release : CIA-RDP59-00224A000100370004-1

Approved For Release : CIA-RDP59-00224A000100370004-1

40

MUTUAL SECURITY ACT OF 1956

United States participation in that organization. On the basis of the subcommittee review, the committee feels that the increase in the ceiling is amply justified.

SECTION 7—STATEMENT OF POLICY

This section was included in the bill by the committee to replace language proposed by the Executive which would have authorized the President to enter into 10-year commitments for long-term economic development projects. Under the language proposed by the Executive, funds up to a maximum of \$100 million of new money in any year could be utilized to meet commitments previously entered into under this authority. This would have meant that any nonmilitary funds appropriated by the Congress in future years might have been drawn upon, up to this limit, for this purpose.

In the judgment of the committee, this would have unduly infringed the authority of future Congresses. By substituting the language contained in the bill, the committee believes that necessary assurance can be given to other nations and at the same time permit the Congress to act each year in accordance with its evaluation of the current situation without being charged by other governments with bad faith.

This is a period when the free nations of the world are tempted to relax and to hope that the Soviet smiles are genuine. The eyes of all nations are turned toward the United States to see how we are reacting. It is important under these circumstances that the United States make clear its attitude toward the Soviet Union and to assure nations, which need assistance in their efforts to maintain their freedom and independence, of our continued backing.

The statement of policy in this bill puts the Congress on record as recognizing that the Soviet Union will constitute a threat to world peace and to the security of the United States as long as it seeks, by any means, to bring free people under its domination and denies the rights of freedom and self-government to nations once free but now under Soviet subjugation. The attitude of the Soviet Union toward freedom is what constitutes the danger, not the tactics which it chooses to employ at any given moment. Shifts from mobilization of military forces to economic pressure or to internal subversion do not obscure the threat to the United States or modify our basic opposition.

The statement of policy also gives to other nations assurance from the Congress that United States assistance is and will be available to them in the future in their efforts to maintain their freedom and independence. United States aid will be available only on request since we are not trying to buy cooperation. Neither do we feel justified in using our resources to help any nation which would accept our aid without any thought of an obligation to use its increased strength resolutely to defend its own freedom and independence.

The United States believes that the most effective way for free nations to meet the Soviet threat is for them to unite for the common defense, and the United States must inevitably give priority to the needs of nations which have joined together for this purpose. Nevertheless, United States assistance is available also to nations determined to maintain their freedom even though they are not willing to commit themselves to the common cause.

The security of the free world requires, however, that the United States should not expend its resources in building up a potential Soviet satellite. At all times the progress and the policies of all recipients of our help must be reappraised so that our assistance can be withdrawn whenever we are convinced that a course is being followed which may lead, perhaps unwittingly, to the loss of the freedom which can be the only justification of United States support.

The statement of policy makes clear, however, that the resources of the United States are limited and that its obligations are great. Our assistance must be limited to what we can afford after giving full consideration to our own strength and stability. Our assistance to any nation must take into account its need in relation to the needs of others and its ability to make effective use of the help to be provided.

In approving this statement of policy the Congress is giving its assessment of the nature of the Soviet threat and is assuring other free nations of the continued support of the United States for the duration of the danger. No commitment as to the amount or nature of future assistance is involved. Under our Constitution these matters must be determined from year to year by the Congress after full consideration of the requirements of our foreign policy and of our internal problems.

SECTION 8—GENERAL PROVISIONS

Transferability of funds (sec. 8 (a)) (MSA, sec. 501)

The next to the last sentence of section 501 of the Mutual Security Act is modified to conform to the new language of section 201, which authorizes development assistance. It provides that funds transferred for development assistance from other authorizations must be used to provide assistance on either a loan basis or to supply surplus agricultural commodities, except that grant aid may be supplied to regional organizations.

The deletion of the last sentence of section 501 corrects an error in transcription in the enrolled bill which, upon enactment, became the Mutual Security Act of 1954. This last sentence was included through clerical error in the final print of the act notwithstanding the fact that it was not in the bill reported by the conference committee and passed by Congress.

Availability of funds (sec. 8 (b)) (MSA, sec. 507)

Section 8 (b) amends section 507, which relates to availability of funds, so as to make clear that the funds which are excepted from the general requirement of annual authorization and appropriation set forth in this section include not only those funds made available under the sections in the original 1954 act, which contained special provisions on authorization and availability of funds, but also funds made available under other sections containing such special provisions (such as sec. 418) which have been added by amendments to the act since 1954 or which may hereafter be enacted.

This amendment in no way exempts any funds from annual authorization and appropriation. Such exemption occurs only if included in the specific authorizing provision.

Shipping on United States vessels (sec. 8 (c)) (MSA, sec. 509)

This section is intended to facilitate the sale of surplus agricultural commodities under Public Law 480 as well as the effective use of foreign currencies derived from such sales for purposes limited to

mutual security. It exempts commodities purchased in a foreign country with foreign currencies derived from Public Law 480 sales for shipment to another foreign country from the requirement of section 901 (b) of Public Law 664 that 50 percent of any such shipments by sea must be in United States vessels.

Section 901 (b) of the Merchant Marine Act of 1936 (Public Law 664) as amended includes the following:

Whenever the United States shall procure, contract for, or otherwise obtain for its own account, or shall furnish to or for the account of any foreign nation without provision for reimbursement, any equipment, materials, or commodities, within or without the United States, or shall advance funds or credits or guarantee the convertibility of foreign currencies in connection with the furnishing of such equipment, materials, or commodities, the appropriate agency or agencies shall take such steps as may be necessary and practicable to assure that at least 50 per centum of the gross tonnage of such equipment, materials, or commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers), which may be transported on ocean vessels shall be transported on privately owned United States-flag commercial vessels, to the extent such vessels are available at fair and reasonable rates for United States-flag commercial vessels, in such manner as will insure a fair and reasonable participation of United States-flag commercial vessels in such cargoes by geographic areas: *Provided*, That the provisions of this subsection may be waived whenever * * * the President of the United States or the Secretary of Defense declares that an emergency exists justifying a temporary waiver of the provisions of section 901 (b) and so notifies the appropriate agency or agencies: * * *.

A similar exemption for shipments under section 402 of the Mutual Security Act is already in effect. This exemption does not affect the cargo available to United States vessels since shipments of this kind would ordinarily not be made if the 50-50 shipping provision was imposed.

SECTION 9—ORGANIZATION AND ADMINISTRATION

Delegation of power by the President (sec. 9 (a)) (MSA, sec. 521)

In this section the committee confirmed its action in section 6 (k) (1), specifically retaining the investment guaranty program in the International Cooperation Administration, by providing that there shall be excluded from the power of the President to delegate his authority under the Mutual Security Act any power to delegate the investment guaranty program to any other agency.

Allocation and reimbursement among agencies (sec. 9 (b)) (MSA, sec. 522)

This section permits certain improvements in bookkeeping in the mutual security program. The committee has been informed that this change has been approved by the General Accounting Office, the General Services Administration, and the Bureau of the Budget.

The language in paragraph (1) will confirm the authority for the procedure currently being followed in handling funds to cover administrative expenses of the General Services Administration (GSA) in performing procurement services in connection with the foreign aid program. Under this procedure, payments made to GSA for administrative surcharges on foreign aid procurement are consolidated in a separate no-year account which may be drawn upon to cover administrative expenses of GSA in connection with such procurement. This eliminates serious bookkeeping difficulties which would arise if GSA administrative expenses, such as salaries of personnel, had to be distributed voucher by voucher among the numerous individual appropriation accounts maintained in the foreign aid program.

Approved For Release : CIA-RDP59-00224A000100370004-1

MUTUAL SECURITY ACT OF 1956

43

With respect to paragraph (2), under the present system, for example, when a participating United States Government agency provides the International Cooperation Administration with technical consultation and support for programs in a particular field in all four major regions of the world, each voucher for payment of costs of these services must be divided up among the various appropriation accounts used to finance these programs in the various regions. For example, services connected with programs in Germany or Austria might be charged to the appropriation for joint control areas; those for programs in the rest of Europe to defense support, Europe; and those for programs in other regions to the technical cooperation appropriation. The proposed system would permit each voucher for these services to be charged initially in full against the appropriation account principally concerned—e. g., technical cooperation—and then, as of the end of each fiscal year, there would be a pro rata reimbursement from each of the other appropriations to the technical cooperation appropriation account to cover their proportional share of the costs of the participating agency services during that fiscal year.

It is hoped that this authority will help unravel the complicated bookkeeping mechanism of the past.

Experts and consultants or organizations thereof (sec. 9 (c)) (MSA, sec. 530)

The services of an individual employed as an expert or consultant are limited to 1 year. This is on the theory that if such services are needed for a longer period, the position should come under civil service. In the case of an organization, such as an engineering firm, ICA has been advised by the General Accounting Office that the 1-year limitation also applies. At present there are no such contracts. In anticipation that ICA will find it desirable to enter into such contracts, this new language is requested.

The type of contract contemplated under the proposed language is one that would provide ICA with advisory services on more than one project in more than one country. For example, an engineering firm may be called upon to check the specifications of a fertilizer plant in country X, a road system in country Y, and an irrigation project in country Z. Different professional individuals within the same firm or organization at different times may be needed to render technical advice. Another type of contract envisioned is that in the accounting field where the judgment of fiscal experts is necessary. In any case the services are rendered to ICA rather than to another country.

Exemption of personnel from certain Federal laws (sec. 9 (d)) (MSA, sec. 532)

The purpose of this amendment is to permit a retired military officer to draw his retirement pay while serving as a consultant for a period in excess of 1 year.

The Department of Defense desires to retain a few unusually qualified retired officers particularly in the field of research and development. At present one of them is assigned as the principal United States adviser to the SHAPE Air Defense Technical Center. The Department wants to employ two others in the mutual weapons development program. Individuals possessing the qualifications to hold these positions are able to command considerably higher salaries

Approved For Release : CIA-RDP59-00224A000100370004-1
44 MUTUAL SECURITY ACT OF 1956

in private industry. To meet that competition the amendment would allow such retired officers to draw both their retired pay and their consultant fees beyond the 1-year period allowed under existing law.

Cooperation with nations and international organizations (sec. 9 (e))
(MSA, sec. 535)

This section amends subsection (b) of section 535 to clarify the authority of the United States to furnish nonmilitary supplies, materials, and services at the request of nations (as well as international organizations, as at present) on an advance of funds or reimbursement basis. Such advances, and reimbursements which are received within 180 days after the close of the fiscal year in which supplies, materials, or services are delivered, may be credited to the current applicable appropriation or fund of the agency which financed the transaction.

According to the ICA, there is an increasing need to be able to extend assistance on a dollar advance or repayment basis with ability to credit the appropriation originally charged with the repayment. There are a number of European and Latin American countries eager to bear all costs of the projects and it has been felt that, for the reasons which follow, ICA would perform a valuable function if it could handle these projects along with its regular programs:

(a) Countries recently or about to be emancipated from an "aid" status often still need stimulation to pursue projects many of which were begun during the period of aid. United States Government administrative help and direction not only affords such stimulation but permits a continuing voice in the direction these efforts should take.

(b) United States Government administrative help increases American industrial cooperation and willingness to open doors. Foreign governments indicate that United States Government know-how in arrangements and procurement are extremely useful.

(c) Some countries in great need of help are unwilling to accept it on other than a reimbursable basis.

There is no general authority to credit reimbursements into an appropriation account or to establish dollar trust accounts set up through dollar advances to pay the salaries of United States employed technicians. The Congress has, however, accepted a similar idea in other contexts. Similar authority exists for sales of military equipment, materials, and services under section 106 and in sections 529 and 535 with respect to the furnishing of personnel and advances of funds to international organizations. There is authority to accept and use local currency payments under section 505.

Although the furnishing of material, equipment, and services on a reimbursable basis to foreign governments could be accomplished under present law, this would necessitate repayments going to miscellaneous receipts, and appropriations would then have to be adequate to cover such activity. Moreover, the present appropriation and the fiscal 1957 request carry funds only for countries in need of financial help. To carry on a reimbursable program with these funds, therefore, would be possible only at the expense of other programmed activities.

The proposed amendment to section 535 (b) broadens the existing language to include individual countries as well as international organizations but limits the former to nonmilitary goods or services. In

another aspect the existing authority is narrowed by placing a 6-month limit on the time in which accounts can be reimbursed after the end of the fiscal year. The present section 535 (b) contains no time limitation.

Section 9 (f)

Section 537. Provisions on uses of funds. General authorization.—The language provides specific authorization for certain types of expenditures which are important in carrying out the purposes of the Mutual Security Act and which might otherwise be barred by general statutes or Comptroller General rulings. It authorizes use of funds in fiscal year 1957 and thereafter (except as may subsequently be otherwise provided by law) for the same purposes now authorized for fiscal year 1956 in the general language and the second proviso of section 102 of the Mutual Security Appropriation Act, 1956. The language makes clear that the use of funds for these purposes is subject each fiscal year to the limitations specified in section 102 on amounts for such purposes, or that may subsequently be otherwise specified by law. It further authorizes use of funds for purposes of section 2 of Public Law 495, 83d Congress, which will permit payment of expenses of the care and disposition of remains of persons, and members of their families, who may die while away from their homes participating in activities covered by this provision, where circumstances do not permit return of the remains of such persons to their homes for burial. It also authorizes an allotment, as authorized in section 902 of the Foreign Service Act of 1956, as amended, for defraying unusual expenses incident to maintaining a residence for the chief of a mission appointed pursuant to section 526 of the Mutual Security Act. And it authorizes purchase of passenger motor vehicles, but specifies that passenger motor vehicles for administrative purposes may be purchased only as provided in section 102 of the Mutual Security Appropriation Act, 1956, or by other law. By making clear that the restriction on purchase of passenger motor vehicles applies to such vehicles purchased by ICA for its use for administrative purposes, and not those so purchased for program purposes, this language will remove a technical question which has arisen regarding the agency's practice on vehicle purchases.

Health and accident insurance for foreign trainees.—This subsection authorizes the payment from applicable appropriations of health and accident insurance premiums for foreign participants while they are away from their homes engaging in any exchange-of-persons program or a program of furnishing technical information and assistance. It does not include military personnel participating in military assistance training programs.

Until 1954 ICA paid insurance premiums under a provision in the annual appropriation acts. Since that date, ICA has provided coverage for foreign participants by carrying a group policy in which it serves as an agent rather than as the principal. ICA deducts the premium payments from the per diem paid the participants. In the case of any change in terms of the policy including premium payments, ICA must secure the approval of each participant.

This amendment will permit ICA to pay the insurance premiums itself instead of running a costly administrative checkoff operation.

Approved For Release : CIA-RDP59-00224A000100370004-1
46 MUTUAL SECURITY ACT OF 1956

Further, any change in the terms of the policy can be effected by ICA without requiring the consent of each participant. It is planned that the insurance coverage will provide a maximum of \$750 for each illness or accident for a period not to exceed 26 weeks. The estimated cost will be \$80,000 to \$90,000 a year. It will not include dependents.

While foreign participants receiving training in a third country are not insured and it is not planned to cover them, the language is sufficiently broad to provide insurance for them should the agency so determine.

SECTION 10 --REPEAL AND MISCELLANEOUS PROVISIONS

Amendments to other laws (sec. 10 (a)) (MSA, sec. 544)

Section 544. (c) Redelegation of authority.—The first new subsection amends section 4 of the act of May 26, 1949 (5 U. S. C. 151c), which is the general authority of the Secretary of State to promulgate rules and regulations and delegate functions. The proposed amendment would confirm the Secretary's authority to permit such subordinates, when he so specifies, successively to redelegate any of such functions (including that of issuing rules and regulations).

Such redelegations are particularly important in the operations of the International Cooperation Administration where it is necessary for the Director to delegate to subordinates functions such as signing contracts, signing program agreements, signing procurement authorizations, various personnel actions, and appointments of certifying officers.

These functions were formerly delegated by the Director of the Foreign Operations Administration to his subordinates pursuant to section 521 (a) of the Mutual Security Act of 1954, as amended, when that Administration was the "agency" designated by the President for the administration of nonmilitary mutual security programs. By virtue of Executive Order No. 10160 of May 9, 1955, the Department of State was designated as the "agency" for the purposes of section 521 (a), through which the President exercises the relevant power and authority conferred on him by the Mutual Security Act of 1954. While the Secretary of State, who is "the head of such agency" for the purposes of section 521 (a), has delegated the functions in question to the Director of the International Cooperation Administration, it is regarded as desirable to confirm the Secretary's authority specifically to authorize redelegations by the Director to his subordinates who are responsible to him for the actual execution of the ICA operations.

Section 544. (d) Amendment to Surplus Property Act.—This amendment to the Surplus Property Act of 1944 increases the availability of foreign currencies for use in research and educational activities under the Fulbright program.

All foreign currencies expended for the Fulbright program must be purchased from the United States Treasury with dollars appropriated by the Congress. The dollars so appropriated, however, are restricted in use to the amount of local currencies which is available in the Treasury. If the Treasury does not have foreign currency of a particular foreign country, the dollars appropriated for the Fulbright program cannot be used.

This provision makes more foreign currency available in the Treasury for purchase for Fulbright use by permitting the Treasury to sell

currencies received in repayment of loans made under the mutual security program.

This amendment does not diminish control by the Congress over the magnitude of the Fulbright program. Such control is exercised through the dollar appropriation voted each year. This provision merely makes it possible to use the dollars appropriated in countries where it would otherwise be impossible.

Section 544. (e) Amendment to section 933 of the Foreign Service Act of 1946.—Section 933 of the Foreign Service Act of 1946 provides for home leave within the continental United States for overseas employees. Employees whose legal residence is in a United States Territory or possession receive payment for authorized home leave only between their overseas posts and the point in the continental United States nearest to their residence. This amendment will permit payment of home leave travel to a legal residence in a United States Territory or possession.

Section 544. (f) Amendment of Internal Revenue Code concerning per diem of certain aliens.—Pursuant to a ruling by the Commissioner of Internal Revenue, a 30-percent withholding tax is applied to the per diem paid some trainees brought to the United States under the mutual security program. The trainees covered by this ruling are those who are privately employed under an agreement or obligation to perform services for an employer or to return to his previous employment on completion of his training in the United States. It is estimated that about 800 out of more than 4,000 trainees will be covered by this ruling in the present fiscal year.

The proposed amendment to section 1441 (c) of the Internal Revenue Code of 1954 (26 U. S. C. 1441c) does not change the ultimate tax liability of any trainee. It simply removes any requirement of advance withholding from his per diem payments. The maximum per diem payable is \$12. Thus a trainee would have \$3.60 withheld. Most of the trainees, upon their departure from the United States, are able to show deductible expenses that would permit them to receive a full refund of the amount withheld from their per diem. The effect of the withholding tax is to deprive the trainees of 30 percent of their per diem when they need it without any tax receipts accruing to the United States Government.

The committee was advised that this amendment has been approved by the Treasury Department.

Section 544. (g) Amendment to United States Information and Educational Exchange Act of 1948—Informational media guaranties.—This new subsection (g) to be added to section 544 amends section 1011 of the United States Information and Educational Exchange Act (22 U. S. C. 1442), which empowers the Director of the United States Information Agency to issue informational media guaranties in accordance with the provisions of section 413 (b) of the Mutual Security Act of 1954. This basic contract authority was provided to the Director in 1954.

The new provisions added to section 1011 provide new means for financing the informational media guaranty program. Heretofore informational media guaranties (IMG contracts) have been issued under an annual allocation made out of the \$200 million guaranty authority provided for in section 413 (b) (4) of the Mutual Security Act of 1954. In place of annual allocations it is proposed that the

Approved For Release : CIA-RDP59-00224A000100370004-1
48 MUTUAL SECURITY ACT OF 1956

Director of USIA take over \$28 million of the \$200 million of notes originally authorized for the issuance of guaranties and use these notes as the basis for financing the IMG program. Under the proposed provisions the general contracting authority provided by section 1011 is thus separated entirely from the overall guaranty ceiling and the Director is authorized to finance IMG guaranty payments out of a special revolving fund to be set up with the proceeds of the sale to the Treasury of the notes executed originally by the ECA Administrator and now assumed by the Director.

(1) *Proposed changes.* —The section on informational media guarantees does several things:

a. It permits a revolving fund to be set up to finance the IMG program. The revolving fund would be set up with the public debt funds the IMG program is already authorized to draw upon. The net amount that will be available for the IMG program after the end of the current fiscal year will be approximately \$17 million plus any dollar proceeds accruing from the sales of foreign currencies now on hand.

b. It makes clear that the authority to issue informational media guarantees, which was conferred on the Director of the United States Information Agency by the Congress in 1954 (sec. 544 (a) of the Mutual Security Act) is continuing authority and not subject to the termination date applicable to the investment guaranty program. The general guaranty authority is now scheduled to terminate on June 30, 1957. Another section of the pending bill (sec. 6 (k) (2)) extends this to June 30, 1967.

c. It separates the IMG program completely from the investment guaranty program administered by ICA. At present the IMG program draws on the same guaranty authority as the investment guaranty program, and it utilizes the same fees and borrowing authority. As a consequence the accounts of the two programs are intermingled. This situation would be ended.

d. Several technical provisions are made. Fees received from the issuance of investment guaranties have been used to make payments under IMG contracts. The legislation would allow "repayment" of these fees to ICA from the funds authorized for the IMG program. USIA is authorized to charge a minimum fee for the issuance of any IMG contract or amendment, no matter how small. At present only 1 percent of the face amount of the contract or amendment can be charged. Authority is given to make advance payments under IMG contracts.

(2) *Financing of informational media guaranty program.*—No appropriations are involved. At present, and as proposed, public debt funds would be used.

At present the IMG program is financed in common with the investment guaranty program. The present system has two main features: Separate guaranty authority, which is a special form of obligational authority, is provided with an upper limit of \$200 million and the two programs are authorized to borrow up to \$200 million from public debt funds of the Treasury to meet the needs of the program. A minor additional complication is that fees received from the issuance of guaranties are required to be used before any funds

are borrowed from the Treasury, and in practice this has meant that payments have been made under IMG contracts out of fees received from industrial as well as informational media guaranties.

Under these provisions, IMG financing would be separated entirely from financing of the ICA investment guaranty program. The Director of USIA would be authorized to borrow amounts from the Treasury directly and to use the amounts borrowed to set up a fund out of which to make payments on IMG contracts. The total of IMG contracts outstanding at any time would be limited to the amount in the fund plus amounts available from the Treasury. When local currencies received under the IMG contracts are reconverted into dollars, these dollars would go back into the fund. It is this feature that makes the fund a revolving fund.

The proposed legislation would, as previously noted, apportion to the Director of USIA \$28 million of the \$200 million borrowing authority originally made available for guaranties by the ECA Act of 1948. Against this amount are to be charged any sums borrowed from the Treasury for the IMG program, and any fees received from industrial guaranties but used for IMG payments, up to the end of this fiscal year. By the end of this fiscal year it is estimated that \$9.5 million will have been borrowed from the Treasury and \$1.5 million of ICA fees will have been used. (As of the end of March 1956, a total of \$7.6 million had been borrowed for the IMG program and \$1.47 million of ICA fees had been used for IMG purposes.) Deducting these amounts from the \$28 million borrowing authority leaves a total of about \$17 million available for the IMG program after the end of this fiscal year. To this should be added the dollar value of any local currencies now in hand. Considering the present rate of issuance of IMG contracts and the possibility of reconverting some local currencies into dollars, this amount should meet program needs for about 2 years.

(3) *The nature and scope of an informational media guaranty.*--This type of guaranty is basically different from the insurance-type investment guaranty issued by the International Cooperation Administration, which has been discussed under investment guaranties, above. The usual IMG contract is more nearly a straight agreement for converting foreign currency into dollars. In the IMG program the normal expectancy is to pay out dollars to the full amount of the guaranties issued, except for cancellations or lapses. Experience shows that about 60 percent of the face amount of guaranties issued are paid.

The guaranties provide a market for informational materials from the United States in areas where otherwise the shortage of dollar exchange would prevent United States publishers and exporters from selling. In this way, the extensive resources of the United States publishing industry and other exporters of informational materials are brought to the aid of the overseas information program. Large quantities of books, newspapers, magazines, films and the like which tell the story of America and the principles and values for which it stands are commercially disseminated in areas where otherwise information about the United States might not be available, or available only at direct cost to the Government. The informational media guaranty program is thus an important supplement to the overseas information program. Furthermore, it satisfies the congressional mandate in sec-

Approved For Release : CIA-RDP59-00224A000100370004-1

50

MUTUAL SECURITY ACT OF 1956

tion 1005 of the International Information and Educational Exchange Act, which requires the Director of the United States Information Agency to utilize private channels of trade wherever possible (22 U. S. C. 1437).

(4) *Types of media eligible for guaranty coverage.*—Informational media eligible for coverage under IMG contracts include books, newspapers, magazines, motion pictures, recordings, news services, publication rights, maps and globes, and any other generally used means of conveying information. Equipment such as motion picture or slide projectors, phonographs, etc., is not generally considered eligible for coverage.

The law directs that informational media covered under IMG must be "consistent with the national interests of the United States." Explaining the intent of this provision, the Committee stated in its report on the first amendments to the Economic Cooperation Act of 1948 that, "It is the intention that the Administrator should exercise his judgment to insure that media assisted under this provision shall reflect the best elements in American life and shall not be such as to bring discredit upon this Nation in the eyes of other nations" (H. Rept. 323, 81st Cong., 1st sess., p. 22).

Accordingly, the United States Information Agency must review all materials proposed for export under IMG contracts, and each IMG contract specifies what materials are covered by that contract. Furthermore, at the time the exporter files his application with the Agency for the transfer of local currency into dollars, he submits invoices showing in detail the materials sold. Dollar conversion is not allowed for receipts from the sale of any materials not eligible under the terms of the contract.

Books, periodicals, motion pictures, or other informational materials produced or manufactured in countries other than the United States generally are not eligible for export under IMG. Exceptions are made only where the export of such a work is in the national interest of the United States. Publications in languages other than English are eligible only if (1) they are published by an American publisher, and (2) they make a positive contribution to the overseas information program.

Definitions (sec. 10 (b)) (MSA, sec. 545)

(1) *Definition of value.*—This provision amends the definition of value in the Mutual Security Act to permit the establishment of a more equitable and realistic pricing formula for reimbursements from mutual security funds for equipment and materials supplied by the Defense Department for delivery under the mutual security program.

Under existing law the Defense Department may charge the "mutual security" appropriation for nonexcess materials and equipment supplied by it from the mobilization reserve for delivery under the mutual security program in accordance with any of the following standards of value:

1. The actual or projected cost of acquiring for the mobilization reserve an equal or equivalent quantity of such materials or equipment; or
2. The actual or projected cost of an equivalent quantity of equipment or materials of the same general type but more desirable for the mobilization reserve than the items turned over to the military aid program; or

Approved For Release : CIA-RDP59-00224A000100370004-1

3. Either the actual gross cost to the United States of the equipment or materials or the replacement cost at the direction of the Secretary of Defense in cases where the items are not to be fully replaced.

The new language leaves these old pricing methods in effect but provides that a new pricing system shall be developed by the Secretary of Defense as soon as practicable which will more accurately reflect the actual condition and market value of items transferred to the military aid program. The word "condition" is intended to take into account age as well as physical condition, and the term "market value" would not preclude allowances in some cases for such factors as obsolescence and replacement cost. This should result in more equitable pricing, although the full effect of the change is not likely to be reflected for some months in view of the time required to put the change into operation.

(2) *Further definitions.*—Subsections (j) and (k) are included for reasons of the technicalities of draftsmanship. They define terms which are introduced this year for the first time in the mutual security legislation.

Unexpended balances (sec. 10 (c)) (MSA, sec. 548)

This subsection amends section 548 to authorize the continued availability for the same general purposes of unexpended balances of funds made available under the authority of the act, and permits consolidation of such balances with appropriations made available beginning in fiscal year 1956 and thereafter for the same general purposes. The proviso presently in section 548 setting a \$200 million ceiling on the carryover of unexpended balances not obligated by June 30, 1955, or reserved under section 110 of the Mutual Security Appropriation Act, 1955, which applied to last year's authorizations, is deleted.

Availability of funds (sec. 10 (d))

Section 550. Special provision on availability of funds.—This section adds a new section 550 to the act which authorizes 15-month availability rather than the normal 12-month availability for an amount equal to 25 percent of the funds authorized to be appropriated for the purposes of defense support, technical cooperation and joint control areas in such fiscal year.

This extension was authorized because the committee believes that in certain instances the funds authorized will be more prudently used if a longer time is available for planning programs and for negotiation of detailed projects with foreign governments after the appropriation is actually available.

SECTION 11—FOREIGN RESEARCH REACTOR PROJECTS

Authorization (sec. 11 (a))

The atoms-for-peace program is included in three different parts of the mutual security program. The Asian nuclear center is financed from funds appropriated for section 418, the President's fund for Asian economic development. The training of individuals in various aspects of the peaceful uses of atomic energy is financed from funds for the technical cooperation program or, in the case of Europe, the technical exchange program.

Approved For Release : CIA-RDP59-00224A000100370004-1
52 MUTUAL SECURITY ACT OF 1956

The third element is included in this section. This section had its origin in President Eisenhower's plan of atoms for peace and progress, first announced to the General Assembly of the United Nations in December 1953, and amplified by the President in his address at Pennsylvania State University in June 1955. It was the intention of the United States, the President stated, to assist free nations in acquiring research reactors for the development of atomic energy for peaceful purposes.

The President continued:

We propose to offer research reactors to the people of free nations who can use them effectively for the acquisition of the skills and understanding essential to peaceful atomic progress. The United States, in the spirit of partnership that moves us, will contribute half the cost. We will also furnish the acquiring nation the needed nuclear material to fuel the reactor * * *. If the technical and material resources of a single nation should not appear adequate to make effective use of a research reactor, we would support a voluntary grouping of the resources of several nations within a single region to acquire and operate it together.

The principal witness for this program was Hon. Harold S. Vance, Commissioner, Atomic Energy Commission. Mr. Vance explained that this broad plan had been cleared with the Joint Committee on Atomic Energy as a project authorized by the Atomic Energy Act of 1954. It was originally planned to include a \$5 million authorization in the Atomic Energy Commission Plant Authorization Act of 1956. Subsequently it was decided to include the item in the mutual security program.

The Atomic Energy Act of 1954, as amended, sets forth the basic safeguards under which this program will operate. No reactor can be sent abroad until an agreement has been concluded with a foreign nation. Under the terms of that act the text of each proposed agreement must—

- (1) Be submitted to the President together with the recommendations of the Atomic Energy Commission;
- (2) Include details as to the conditions, duration, and scope of cooperation;
- (3) Include guaranties for the maintenance of security safeguards by the foreign government;
- (4) Include guaranties by the foreign government that any material transferred will not be used for atomic weapons or research thereon;
- (5) Be approved by the President;
- (6) Lie before the Joint Committee on Atomic Energy for at least 30 days while Congress is in session.

Each agreement specifically states that classified data will not be communicated to the foreign government.

The central element of a reactor is a uranium core. In the case of the foreign reactor program a low-grade concentration of 20 percent is used. This is a nonweapons grade. The agreements provide that the amount transferred to a foreign government is limited to 6 kilograms (13 pounds). Further, it is leased, not given, to the foreign government.

Indicative of the concern for the security element in this program is the following exchange between Hon. James P. Richards, Chairman,

and Mr. John Hall, Director of International Affairs, Atomic Energy Commission:

Chairman RICHARDS. Will there be any possibility of any one of these recipient countries using the project for other than peaceful purposes?

Mr. HALL. This is a very important question and a very good question. It is for that reason that we have written into the bilateral agreements that the other countries must accept and receive our people to make sure that this is not being done.

The point that Dr. Manov made, the crucial point here is the fuel element. These elements must be returned to the United States. We have attempted by the agreement and by implementing procedures to make sure that these fuel elements are accounted for at all times. In point of fact, the 6 kilograms in itself is a very small quantity of material.

I might add that the 6 kilograms contain 20 percent assay material, which means that it is not weapon grade material in any event. But to be doubly sure that this material is not diverted for military uses, we feel that we should follow it through by procedures of accounting and have insisted that the material must be returned to the United States for processing.

Chairman RICHARDS. What supervision will the United States be able to have to see that it is not diverted?

Mr. HALL. In the bilateral agreements the countries have agreed to allow our technical people at any time to inspect the facilities (hearings, p. 444).

This section is a separate section of the Mutual Security Act of 1956 rather than an amendment to the Mutual Security Act of 1954, as amended. Thus the agreements required as a condition of assistance in section 142 of the Mutual Security Act of 1954 are not required as a condition of assistance under section 11. Similarly, section 402 (earmarking of funds), section 501 (transferability of funds), and section 533 (waiver of certain Federal laws) are not applicable under this section.

The Battle Act is applicable so long as the program is financed from the moneys made available under section 11. Should any part of it be financed under section 401, it is possible for the President to waive the provisions of the Battle Act.

Nuclear physicists in every country are laboriously pioneering in the peaceful uses of atomic energy. The United States, for its part, will make available some of the basic equipment, technical knowledge and training. The committee was advised that the nuclear reactors involved in this program are—

extremely important tools in nuclear research of all kinds. They correspond to an automobile engine in a class in automobile engineering (hearings, p. 438).

This is a program in which no one can spell out or assure specific accomplishments. The only certainty is the acquisition of an enlarged body of knowledge. The bilateral agreements under which this program will be carried out provide for the exchange of information in the following fields:

- (1) The design, construction, and operation of research reactors and their use as research, development, and engineering tools and in medical therapy;
- (2) Health and safety problems related to the operation and use of research reactors; and
- (3) The use of radioactive isotopes in physical and biological research, medical therapy, agriculture, and industry.

The relatively short but dramatic history of nuclear studies is marked by the contributions of many countries. The stimulation provided by this program will accelerate research and expand the

Approved For Release : CIA-RDP59-00224A000100370004-1
54 MUTUAL SECURITY ACT OF 1956

boundaries of knowledge to the benefit of all peoples. The committee considers this program one of the most constructive to which the United States can contribute.

Relation to Atomic Energy Act (sec. 11 (b)).—This makes explicit that the foreign reactor program in no way changes the Atomic Energy Act. The safeguards spelled out in that act are to be adhered to rigidly in carrying out the provisions of section 10.

United States cost (sec. 11 (c)).—This limits the United States contribution to any one reactor project to \$350,000. The average cost of a project, including experimental equipment and supplementary facilities, is \$700,000. Thus, the United States will contribute one-half. Should the cost exceed \$700,000, the United States will contribute no more than \$350,000. The sum authorized in this section will cover the United States share for 17 reactor projects.

Dissemination of information (sec. 11 (d)).—This is intended to assure dissemination in foreign countries of information regarding the purpose, scope, and character of this program. Such dissemination would not only dramatize the benefits that can accrue to all peoples from this program, but would also counterbalance the attention that has been given to the military aspects of atomic development.

CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the proposed bill, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

MUTUAL SECURITY ACT OF 1954

AN ACT To promote the security and foreign policy of the United States by furnishing assistance to friendly nations, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Mutual Security Act of 1954".

SEC. 2. STATEMENT OF POLICY.—The Congress of the United States, recognizing that the peace of the world and the security of the United States are endangered as long as international communism and the nations it controls continue by threat of military action, use of economic pressure, internal subversion, or other means to attempt to bring under their domination peoples now free and independent and continue to deny the rights of freedom and self-government to peoples and nations once free but now subject to such domination, declares it to be the policy of the United States to continue as long as such danger to the peace of the world and to the security of the United States persists to make available to free nations and peoples upon request assistance of such nature and in such amounts as the United States is able to provide compatible with its own stability, strength, and other obligations, and as may be needed and effectively used by such free nations and peoples to help them maintain their freedom.

TITLE I—MUTUAL DEFENSE ASSISTANCE

CHAPTER 1. MILITARY ASSISTANCE

SEC. 101. PURPOSE OF CHAPTER.—The Congress of the United States reaffirms the policy of the United States to achieve international peace and security through the United Nations so that armed force shall not be used except in the common defense. The Congress hereby finds that the efforts of the United States and other nations to promote peace and security require additional measures of support based upon the principle of continuous and effective self-help and mutual aid. It is the purpose of this chapter to authorize measures in the common defense, including the furnishing of military assistance to friendly nations and

Approved For Release : CIA-RDP59-00224A000100370004-1

MUTUAL SECURITY ACT OF 1954

international organizations in order to promote the foreign policy, security, and general welfare of the United States and to facilitate the effective participation of such nations in arrangements for individual and collective self-defense. In furnishing such military assistance, it remains the policy of the United States to continue to exert maximum efforts to achieve universal control of weapons of mass destruction and universal regulation and reduction of armaments, including armed forces, under adequate safe-guards to protect complying nations against violation and evasion.

The Congress reaffirms its previous expressions favoring the creation by the free peoples of the Far East and the Pacific of a joint organization, consistent with the Charter of the United Nations, to establish a program of self-help and mutual cooperation designed to develop their economic and social well-being, to safeguard basic rights and liberties and to protect their security and independence.

The Congress hereby reiterates its opposition to the seating in the United Nations of the Communist China regime as the representative of China. In the event of the seating of representatives of the Chinese Communist regime in the Security Council or General Assembly of the United Nations, the President is requested to inform the Congress insofar as is compatible with the requirements of national security, of the implications of this action upon the foreign policy of the United States and our foreign relationships, including that created by membership in the United Nations, together with any recommendations which he may have with respect to the matter.

SEC. 102. GENERAL AUTHORITY.—Military assistance may be furnished under this chapter on a grant or loan basis and upon such other appropriate terms as may be agreed upon, by the procurement from any source and the transfer to eligible nations and international organizations of equipment, materials, and services, or by the provision of any service, including the assignment or detail of members of the Armed Forces and other personnel of the Department of Defense solely to assist in an advisory capacity or to perform other duties of a non-combatant nature, including military training or advice.

SEC. 103. AUTHORIZATIONS.—(a) (1) There is hereby authorized to be appropriated to the President, in addition to appropriations authorized by section 104, not to exceed \$1,270,000,000 to carry out the purpose of this chapter; and, in addition, unexpended balances of appropriations for military assistance under each paragraph of the Mutual Security Appropriation Act, 1954 (including the appropriation for mutual special weapons planning), are hereby authorized to be continued available for the purpose of this chapter and to be consolidated with the appropriation authorized by this subsection; all of which is hereby authorized to be continued available through June 30, 1955.

(2) In addition, there is hereby authorized to be appropriated to the President to carry out the purposes of this chapter not to exceed \$1,133,000,000, to remain available until expended.

(3) *In addition, there is hereby authorized to be appropriated to the President to carry out the purposes of this chapter not to exceed \$1,925,000,000, of which not less than \$48,000,000 shall be used to provide assistance to Spain and not more than \$402,000,000 may be used to provide assistance to other European countries, and which shall remain available until expended.*

(b) Funds made available pursuant to subsection (a) of this section shall be available for the administrative and operating expenses of carrying out the purpose of this chapter and of section 124 including expenses incident to United States participation in international security organizations.

(c) When appropriations made pursuant to subsection (a) of this section are used to furnish military assistance on terms of repayment within ten years or earlier such assistance may be furnished, notwithstanding sections 105, 141, and 142, to nations eligible to purchase military equipment, materials, and services under section 106.

SEC. 104. INFRASTRUCTURE.—(a) The President is authorized to make contributions to infrastructure programs of the North Atlantic Treaty Organization, in accordance with agreements already made between the member nations, out of funds made available pursuant to this section, or section 103, or chapter IX of the Supplemental Appropriation Act, 1953, of amounts totaling not more than \$780,000,000, less amounts already contributed for such purpose. There is hereby authorized to be appropriated to the President for such purpose, in installments prior to June 30, 1958, not to exceed \$321,000,000, to remain available until expended. Such contributions by the United States shall not exceed its proportionate share, as heretofore agreed upon, of the expenses of such programs.

(b) When the President determines that it is in the interest of the security of the United States to participate in programs for the acquisition or construction of

Approved For Release : CIA-RDP59-00224A000100370004-1
50 MUTUAL SECURITY ACT OF 1956

facilities in foreign nations for collective defense other than programs of the North Atlantic Treaty Organization, he may use for such purpose funds made available under section 103 or local currencies made available under section 402 in amounts totaling not more than \$50,000,000.

(c) Notwithstanding section 501 of this Act, no funds other than those referred to in subsections (a) and (b) of this section may be expended for the purposes of this section. No funds shall be expended under this section for rental or purchase of land or for payment of taxes.

Sec. 105. CONDITIONS APPLICABLE TO MILITARY ASSISTANCE—(a) Military assistance may be furnished under this chapter to any nation whose increased ability to defend itself the President shall have determined to be important to the security of the United States and which is otherwise eligible to receive such assistance. Equipment and materials furnished under this chapter shall be made available solely to maintain the internal security and legitimate self-defense of the recipient nation, or to permit it to participate in the defense of its area or in collective security arrangements and measures consistent with the Charter of the United Nations. The President shall be satisfied that such equipment and materials will not be used to undertake any act of aggression against any nation.

(b) In addition to the authority and limitations contained in the preceding subsection, the following provisions shall apply to particular areas:

(1) The Congress welcomes the recent progress in European cooperation and reaffirms its belief in the necessity of further efforts toward political federation, military integration, and economic unification as a means of building strength, establishing security, and preserving peace in the North Atlantic area. In order to provide further encouragement to such efforts, the Congress believes it essential that this Act should be so administered as to support concrete measures to promote greater political federation, military integration, and economic unification in Europe.

(2) Military assistance furnished to any nation in the Near East and Africa to permit it to participate in the defense of its area shall be furnished only in accordance with plans and arrangements which shall have been found by the President to require the recipient nation to take an important part therein.

(3) In furnishing military assistance in Asia and in carrying out the provisions of section 121 of this Act, the President shall give the fullest assistance, as far as possible directly, to the free peoples in that area, including the Associated States of Cambodia, Laos, and Vietnam, in their creation of a joint organization, consistent with the Charter of the United Nations, to establish a program of self-help and mutual cooperation designed to develop their economic and social well-being, to safeguard basic rights and liberties, and to protect their security and independence.

(4) Military assistance may be furnished to the other American Republics only in accordance with defense plans which shall have been found by the President to require the recipient nation to participate in missions important to the defense of the Western Hemisphere.

(c) The Secretary of Defense shall insure that the value (as determined pursuant to section 545) of equipment, materials, and services heretofore furnished under military assistance programs authorized by Acts repealed by this Act or hereafter furnished pursuant to section 103 (a) to nations or organizations in each of the four areas named in this subsection shall not exceed the total of the funds heretofore made available for military assistance in that area pursuant to Acts repealed by this Act plus the amount herein specified for that area:

- (1) In the European area (excluding Greece and Turkey), \$617,500,000.
- (2) In the Near East (including Greece and Turkey) and Africa, \$181,200,000.
- (3) In Asia, \$583,600,000.
- (4) In the Western Hemisphere, \$13,000,000.

(d) Whenever the President determines it to be necessary for the purpose of this title, equipment, materials, and services of a value not to exceed 15 per centum of the sum of (1) that portion of the unexpended balances referred to in section 103 (a) which was available on June 30, 1954, to furnish assistance in any of the areas named in subsection (c) of this section, and (2) the amount specified in the applicable paragraph of subsection (c) of this section for additional assistance in such area, may be furnished in any other such area or areas, notwithstanding the limitations set forth in subsection (c) of this section. Funds heretofore obligated or programmed or hereafter made available solely for the purpose of section 104 (pertaining to infrastructure) shall not be included in the total fixed for each such area. Funds heretofore appropriated for military assistance in a particular

Approved For Release : CIA-RDP59-00224A000100370004-1
MUTUAL SECURITY ACT OF 1956 57

geographic area but transferred from such use under section 513 of the Mutual Security Act of 1951, as amended, or under section 408 (c) of the Mutual Defense Assistance Act, shall be included in the total for the area for the benefit of which such transfer was made, and not in the total for the area from which the transfer was made.]

SEC. 106. SALE OF MILITARY EQUIPMENT, MATERIALS, AND SERVICES. -(a) The President may, in order to carry out the purpose of this chapter, sell or enter into contracts (without requirement for charge to any appropriation or contract authorization) for the procurement for sale of equipment, materials, or services to any nation or international organization: *Provided*, That prior to the transfer of any such equipment, materials, or services to any nation which has not signed an agreement under section 142 of this Act or joined with the United States in a regional collective defense arrangement, the President shall have received commitments satisfactory to him that such equipment, materials, or services are required for and will be used by such nation solely to maintain its internal security, its legitimate self-defense, or to permit it to participate in the defense of the area of which it is a part, or in collective security arrangements and measures consistent with the Charter of the United Nations, and that it will not undertake any act of aggression against any other state.

(b) Whenever equipment or materials are sold from the stocks of or services are rendered by any United States Government agency to any nation or international organization as provided in subsection (a), such nation or international organization shall first make available the fair value, as determined by the President, of such equipment, materials, or services before delivery or, when the President determines it to be in the best interests of the United States, within sixty days thereafter or, as determined by the President, within a reasonable period not to exceed three years. The fair value for the purpose of this subsection shall not be less than the value as defined in subsection (h) of section 545: *Provided*, That with respect to excess equipment or materials the fair value may not be determined to be less than (i) the minimum value specified in that subsection plus the scrap value, or (ii) the market value, if ascertainable, whichever is the greater. Before a contract for new production is entered into, or rehabilitation work is undertaken, such nation or international organization shall (A) provide the United States with a dependable undertaking to pay the full amount of such contract or the cost of such rehabilitation which will assure the United States against any loss on the contract or rehabilitation work, and (B) shall make funds available in such amounts and at such times as may be necessary to meet the payments required by the contract or the rehabilitation work in advance of the time such payments are due, in addition to the estimated amount of any damages and costs that may accrue from the cancellation of such contract or rehabilitation work.

(c) Sections 105, 141, and 142 shall not apply with respect to assistance furnished under this section.

SEC. 107. WAIVERS OF LAW.—(a) The President may perform any of the functions authorized under this chapter without regard to (1) the provisions of title 10, United States Code, section 1262 (a); and title 34, United States Code, section 546 (e); and (2) such provisions as he may specify of the joint resolution of November 4, 1939 (54 Stat. 4), as amended.

(b) Notwithstanding the provisions of Revised Statutes 1222 (10 U. S. C. 576), personnel of the Department of Defense may be assigned or detailed to any civil office for the purpose of enabling the President to furnish assistance under this Act.

SEC. 108. TRANSFER OF MILITARY EQUIPMENT TO JAPAN.—In addition to any program of military assistance for which funds may be appropriated pursuant to this Act, the President is hereby authorized to transfer to the Government of Japan, until June 30, 1956, upon such terms and conditions as he may specify, and upon its request, United States military equipment and supplies programmed for Japan to meet its internal security requirements for which Department of Defense appropriations were obligated prior to July 1, 1953. No appropriation shall be requested to replace the military equipment and supplies so transferred, and no funds heretofore or hereafter appropriated for the purpose of this chapter shall be available for reimbursement to any United States Government agency on account of any transfer made pursuant to this section.

CHAPTER 2—SOUTHEAST ASIA AND THE WESTERN PACIFIC, AND DIRECT FORCES SUPPORT

SEC. 121. SOUTHEAST ASIA AND THE WESTERN PACIFIC.—There is hereby authorized to be appropriated to the President for the fiscal year 1955, to be made available on such terms and conditions, including transfer of funds, as he may spec-

ify, not to exceed \$700,000,000 for expenses necessary for the support of the forces of nations in the area of Southeast Asia, including the furnishing, as far as possible, of direct assistance to the Associated States of Cambodia, Laos, and Vietnam as well as to the forces of other free nations in the area including those of France located in such Associated States and for other expenditures to accomplish in Southeast Asia and the Western Pacific the policies and purposes declared in this Act. In addition, the unexpended balances of funds allocated from appropriations made pursuant to sections 304 and 540 of the Mutual Security Act of 1951, as amended, for the purpose of support of the forces of the Associated States of Cambodia, Laos, and Vietnam and the forces of France located in the Associated States, are hereby authorized to be continued available for the purpose of this section through June 30, 1955, and to be consolidated with the appropriation authorized by this section. Assistance under this title shall be made available subject to the provisions of sections 141 and 142, except that (1) in the case of assistance to the Associated States of Cambodia, Laos, and Vietnam, and (2) in the case of assistance (not to exceed in the aggregate 10 per centum of the amount appropriated pursuant to this section, excluding unexpended balances of prior appropriations) to other nations, the President may waive specific provisions of section 142 to the extent he may deem necessary in the national interest to carry out the purposes of this Act. The President or such officer as he may designate shall report each instance of such waiver to the Foreign Relations, Appropriations, and Armed Services Committees of the Senate and the Foreign Affairs, Appropriations, and Armed Services Committees of the House of Representatives within thirty days.

It is the sense of the Congress that no part of the funds appropriated under this section shall be used on behalf of governments which are committed by treaty to maintain Communist rule over any defined territory of Asia.

SEC. 122. PRODUCTION FOR FORCES SUPPORT.—There is hereby authorized to be appropriated to the President for the fiscal year 1955, to be made available on such terms and conditions, including transfer of funds, as he may specify, not to exceed \$35,000,000 for manufacture in the United Kingdom of military aircraft required by United Kingdom forces for the defense of the North Atlantic area. In addition, unexpended balances of appropriations made pursuant to section 102 of the Mutual Security Act of 1951, as amended, are hereby authorized to be continued available for their original purposes through June 30, 1955, and the unexpended balance of the appropriation made pursuant to the second clause of that section is authorized to be consolidated with the appropriation authorized by this section.

SEC. 123. COMMON USE ITEMS.—There is hereby authorized to be appropriated to the President for the fiscal year 1955 not to exceed \$60,000,000 for the provision of any common-use equipment, materials, commodities, or services which are to be used by military forces of nations receiving assistance under chapter 1 of this title. Programs authorized by this section shall be administered in accordance with the provisions of chapter 1 or chapter 3 of this title.

SEC. 124. DIRECT FORCES SUPPORT.—There is hereby authorized to be appropriated to the President for the fiscal year 1956 not to exceed \$317,200,000 to provide assistance in the form of direct forces support to be delivered or rendered directly to the military forces of nations eligible for military assistance under chapter 1 of this title. The President may, notwithstanding the provisions of section 501, consolidate all or any part of appropriations made pursuant to this section with appropriations made pursuant to section 103. Programs authorized by this section may be administered in accordance with the provisions of chapter 1 or chapter 3 of this title.

CHAPTER 3—DEFENSE SUPPORT

SEC. 131. GENERAL AUTHORITY.—(a) The President is hereby authorized to furnish, to nations and organizations eligible to receive military assistance under chapter 1 of this title, or to nations which have joined with the United States in a regional collective defense arrangement, commodities, services, and financial and other assistance designed to sustain and increase military effort. In furnishing such assistance, the President may provide for the procurement and transfer from any source of any commodity or service (including processing, storing, transporting, marine insurance, and repairing) or any technical information and assistance.

(b) There is hereby authorized to be appropriated to the President for the fiscal year 1955 to carry out the provisions of this section, not to exceed—
(1) \$46,000,000 for Europe (excluding Greece and Turkey);
(2) \$73,000,000 for the Near East (including Greece and Turkey), Africa, and South Asia; and
(3) \$80,098,195 for the Far East and the Pacific.

Approved For Release : CIA-RDP59-00224A000100370004-1
MUTUAL SECURITY ACT OF 1956

59

In addition, unexpended balances of appropriations heretofore made pursuant to section 541 of the Mutual Security Act of 1951, as amended, are hereby authorized to be continued available for the purpose of this subsection through June 30, 1955, and to be consolidated with the appropriation authorized for the same area by this subsection: *Provided*, That portions of such unexpended balances which have been allocated to assistance for Greece and Turkey shall be consolidated with the appropriation authorized by paragraph (2) of this subsection.

(c) There is hereby authorized to be appropriated to the President for the fiscal year 1956 to carry out the provisions of this section, not to exceed—

(1) \$92,000,000 for Europe (excluding Greece and Turkey);
(2) \$102,500,000 for the Near East (including Greece and Turkey) and Africa; and

(3) \$827,800,000 for Asia [L. I.].

and for the fiscal year 1957 not to exceed—

(1) \$63,700,000 for Europe (excluding Greece and Turkey);
(2) \$170,000,000 for the Near East (including Greece and Turkey) and Africa;

(3) \$882,000,000 for Asia; and

(4) \$32,000,000 for Latin America.

Funds made available under paragraph (4) may be used to furnish assistance designed to sustain and increase military or internal defense efforts, and may be used without regard to the requirements of sections 141 and 142 in the case of any nation which is a party to the Inter-American Treaty of Reciprocal Assistance and which has adhered to the resolution of 1954 entitled "Declaration of Solidarity for the Preservation of the Political Integrity of the American States against the Intervention of International Communism".

Funds made available for assistance to Korea from appropriations authorized by this section may be used in accordance with the applicable provisions of section 132 of this Act.

(d) In providing assistance in the procurement of commodities in the United States, United States dollars shall be made available for marine insurance on such commodities where such insurance is placed on a competitive basis in accordance with normal trade practice prevailing prior to the outbreak of World War II: *Provided*, That in the event a participating country, by statute, decree, rule, or regulation, discriminates against any marine insurance company authorized to do business in any State of the United States, then commodities purchased with funds provided hereunder and destined for such country shall be insured in the United States against marine risk with a company or companies authorized to do a marine insurance business in any State of the United States.

SEC. 132. KOREAN PROGRAM.—(a) There is hereby authorized to be appropriated to the President for the fiscal year 1955 not to exceed \$205,000,000 to be expended, upon terms and conditions specified by the President, for defense support, relief and rehabilitation, and other necessary assistance (including payment of ocean freight charges on shipments for relief and rehabilitation, without regard to section 409 of this Act) in those parts of Korea which the President shall have determined to be not under Communist control. In addition, unexpended balances of funds heretofore allocated for the purpose of relief and rehabilitation in Korea pursuant to the paragraph entitled "Relief and Rehabilitation in Korea," chapter VII Supplemental Appropriation Act, 1954, and unobligated balances of the appropriation for "Civilian Relief in Korea," title III, Department of Defense Appropriation Act, 1954, are hereby authorized to be continued available for the purposes of this subsection through June 30, 1955, and to be consolidated with the appropriation authorized by this subsection.

(b) (1) Notwithstanding the provisions of any other law, the President is authorized, at any time prior to twenty-four months from the date of enactment of this Act, to transfer to the Republic of Korea, by sale or charter and on such terms and conditions as he may specify, not more than eight C1-M-AV1 vessels. Any agency of the United States Government owning or operating such vessels is authorized to make such vessels available for the purpose of this subsection: *Provided*, That if after investigation it is determined by the President that there are privately owned C1-M-AV1 vessels offered and available for sale by American citizens as defined in section 2 of the Shipping Act, 1916, as amended, at prices equal to or less than those provided for in subsection (b) (2) below, such vessels shall be acquired by an owning or operating agency designated by the President for the purpose of this subsection. Funds made available pursuant to subsection (a) of this section shall be available for the purpose of this subsection.

(2) Such transfers shall be made at prices determined under section 3 of the Merchant Ship Sales Act of 1946 (50 U. S. C., App. 1736): *Provided*, That such

Approved For Release : CIA-RDP59-00224A000100370004-1

vessels shall be placed in class in accordance with minimum requirements of the American Bureau of Shipping by the owning or operating agency, and the expense of placing in class shall be reimbursed to such agency.

(c) There is hereby authorized to be appropriated for the fiscal year 1955 not to exceed \$3,452,615 for making contributions to the United Nations Korean Reconstruction Agency or expenditure through such other agency for relief and rehabilitation in Korea as the President may direct. In addition, the unexpended balance of the appropriation made pursuant to the last sentence of section 303 (a) of the Mutual Security Act of 1951, as amended, is hereby authorized to be continued available for the purpose of this subsection through June 30, 1955, and to be consolidated with the appropriation authorized by this subsection. Sections 141 and 142 of this Act shall not apply with respect to assistance furnished under this subsection.

(d) To the extent necessary to accomplish the purposes of this section (1) assistance may be furnished under this section without regard to the other provisions of this title and (2) the authority provided in section 307 may be exercised in furnishing assistance under subsection (a) of this section.

CHAPTER 4—GENERAL PROVISIONS RELATING TO MUTUAL DEFENSE ASSISTANCE

SEC. 141. CONDITIONS OF ELIGIBILITY FOR ASSISTANCE.—No assistance shall be furnished under this title to any nation or organization unless the President shall have found that furnishing such assistance will strengthen the security of the United States and promote world peace. No such assistance shall be furnished to a nation unless it shall have agreed to the provisions required by section 142, and such additional provisions as the President deems necessary to effectuate the policies and provisions of this title and to safeguard the interests of the United States.

SEC. 142. AGREEMENTS.—(a) No assistance shall be furnished to any nation under this title unless such nation shall have agreed to—

(1) join in promoting international understanding and good will, and maintaining world peace;

(2) take such action as may be mutually agreed upon to eliminate causes of international tension;

(3) fulfill the military obligations, if any, which it has assumed under multilateral or bilateral agreements or treaties to which the United States is a party;

(4) make, consistent with its political and economic stability, the full contribution permitted by its manpower, resources, facilities, and general economic condition to the development and maintenance of its own defensive strength and the defensive strength of the free world;

(5) take all reasonable measures which may be needed to develop its defense capacities;

(6) take appropriate steps to insure the effective utilization of the assistance furnished under this title in furtherance of the policies and purposes of this title;

(7) impose appropriate restrictions against transfer of title to or possession of any equipment and materials, information, or services furnished under chapter 1 of this title, without the consent of the President;

(8) maintain the security of any article, service, or information furnished under chapter 1 of this title;

(9) furnish equipment and materials, services, or other assistance consistent with the Charter of the United Nations, to the United States or to and among other nations to further the policies and purpose of chapter 1 of this title;

(10) permit continuous observation and review by United States representatives of programs of assistance authorized under this title, including the utilization of any such assistance and provide the United States with full and complete information with respect to these matters, as the President may require.

(b) In cases where any commodity is to be furnished on a grant basis under chapter 2 or chapter 3 of title I or under title II of this Act under arrangements which will result in the accrual of proceeds to the recipient nation from the import or sale thereof, such assistance shall not be furnished unless the recipient nation shall have agreed to establish a Special Account, and

(i) deposit in the Special Account, under such terms and conditions as may be agreed upon, currency of the recipient nation in amounts equal to such proceeds;

(ii) make available to the United States such portion of the Special Account as may be determined by the President to be necessary for the requirements

of the United States: *Provided*, That such portion shall not be less than 10 per centum in the case of any country to which such minimum requirement has been applicable under any Act repealed by this Act; and

(iii) utilize the remainder of the Special Account for programs agreed to by the United States to carry out the purposes for which new funds authorized by this Act would themselves be available.

Any unencumbered balances of funds which remain in the Account upon termination of assistance to such nation under this Act shall be disposed of for such purposes as may, subject to approval by the Act or joint resolution of the Congress, be agreed to between such country and the Government of the United States.

TITLE II—DEVELOPMENT ASSISTANCE

SEC. 201. AUTHORIZATION.—(a) There is hereby authorized to be appropriated to the President for the fiscal year 1955, not to exceed—

(1) \$115,000,000 for assistance designed to promote the economic development of the Near East and Africa, and for other types of assistance designed to help maintain economic and political stability in the area;

(2) \$75,000,000 for assistance designed to promote the economic development of Asia and to assist in maintaining economic and political stability in the area; and

(3) \$9,000,000 for assistance designed to promote economic development in the other American Republics and non-self-governing territories of the Western Hemisphere and to assist in maintaining economic and political stability in the area.

Such assistance may be furnished on such terms and conditions as the President may specify and shall emphasize loans rather than grants wherever possible.

(b) In addition, unexpended balances of appropriations heretofore made pursuant to sections 206 and 302 (b) of the Mutual Security Act of 1951, as amended, and unexpended balances of funds allocated to the emergency economic aid program for Bolivia are hereby authorized to be continued available for the purposes of this section through June 30, 1955, and to be consolidated with the appropriations authorized by paragraphs (1), (2), and (3) of subsection (a) of this section, respectively.

(c) There is hereby authorized to be appropriated to the President for the fiscal year 1956 not to exceed \$73,000,000, \$71,000,000, and \$38,000,000, to furnish assistance under paragraphs (1), (2), and (3), respectively of subsection (a) of this section.]

SEC. 201. AUTHORIZATION.—(a) *In addition to the funds heretofore appropriated pursuant to the provisions of sections 201 and 418 of this Act as in effect prior to the enactment of the Mutual Security Act of 1956, which funds shall remain available for their original purposes in accordance with the provisions of law originally applicable thereto, there is hereby authorized to be appropriated to the President not to exceed \$243,000,000, to remain available until June 30, 1960, for assistance designed to promote the economic development of free Asia, the Middle East, and Africa, based on self-help and mutual cooperation of friendly nations, and to maintain economic and political stability in these areas.*

(b) *The President is authorized to utilize the funds hereafter made available for purposes of this title to accomplish in these areas policies and purposes declared in this Act, and to disburse them on such terms and conditions, including transfer of funds, as he may specify: Provided, That such assistance shall only be available on terms of repayment, except (1) when such funds are used to finance sales of surplus agricultural commodities under section 402, or (2) when granted for the purpose of a regional project involving two or more beneficiary nations: And provided further, That not more than 25 percent of any funds hereafter made available for purposes of this title shall be used in furnishing assistance to any one nation (including bilateral assistance furnished to such nation as well as such nation's proportionate share of assistance furnished for regional projects in which it is involved).*

(c) *To be eligible for bilateral assistance from funds hereafter made available for purposes of this title, a nation shall have entered into a written agreement, satisfactory to the President, to permit participation by private enterprise in the accomplishment of any of the purposes of this Act in conformance with the provisions of section 418, which relates to encouragement of free enterprise and private participation.*

(d) *Funds made available under this title may be used for expenses (other than those provided for under section 411 (c) of this Act) to assist in carrying out functions under the Agricultural Trade Development and Assistance Act of 1954, as amended (7 U. S. C. 1691 and the following), delegated or assigned to any agency or officer administering nonmilitary assistance.*

Approved For Release : CIA-RDP59-00224A000100370004-1

【SEC. 202. ADMINISTRATION.—Except as necessary to accomplish the purposes of section 201, programs of assistance authorized by that section shall be administered in accordance with sections 303 and 308 (relating to technical cooperation). The authority provided in section 307 may be exercised for purposes of furnishing assistance under section 201.】

TITLE III—TECHNICAL COOPERATION

SEC. 301. DECLARATION OF PURPOSE.—It is the policy of the United States and the purpose of this title to aid the efforts of the peoples of economically underdeveloped areas to develop their resources and improve their working and living conditions by encouraging the exchange of technical knowledge and skills and the flow of investment capital to countries which provide conditions under which such technical assistance and capital can effectively and constructively contribute to raising standards of living, creating new sources of wealth, increasing productivity and expanding purchasing power.

SEC. 302. GENERAL AUTHORITY AND DEFINITION.—The President is authorized to furnish assistance in accordance with the provisions of this title through bilateral technical cooperation programs. As used in this title, the term "technical cooperation programs" means programs for the international interchange of technical knowledge and skills designed to contribute primarily to the balanced and integrated development of the economic resources and productive capacities of economically underdeveloped areas. Such activities shall be limited to economic, engineering, medical, educational, labor, agricultural, forestry, fishery, mineral, and fiscal surveys, demonstration, training, and similar projects that serve the purpose of promoting the development of economic resources, productive capacities, and trade of economically underdeveloped areas, and training in public administration. The term "technical cooperation programs" does not include such activities authorized by the United States Information and Educational Exchange Act of 1948 (62 Stat. 6) as are not primarily related to economic development, nor activities undertaken now or hereafter pursuant to the International Aviation Facilities Act (62 Stat. 450), nor activities undertaken now or hereafter in the administration of areas occupied by the United States Armed Forces.

SEC. 303. PREREQUISITES TO ASSISTANCE.—Assistance shall be made available under section 302 of this Act only where the President determines that the nation being assisted—

- (a) pays a fair share of the cost of the program;
- (b) provides all necessary information concerning such program and gives the program full publicity;
- (c) seeks to the maximum extent possible full coordination and integration of technical cooperation programs being carried on in that nation;
- (d) endeavors to make effective use of the results of the program; and
- (e) cooperates with other nations participating in the program in the mutual exchange of technical knowledge and skills.

SEC. 304. AUTHORIZATION.—(a) There is hereby authorized to be appropriated to the President for the fiscal year 1955 \$88,570,000 for technical cooperation programs in the Near East, Africa, South Asia, and Far East and Pacific, and \$28,500,000 for such programs in Latin America. In addition, unexpended balances of appropriations heretofore made pursuant to section 543 of the Mutual Security Act of 1951, as amended, are authorized to be continued available for the purposes of this section through June 30, 1955, and to be consolidated with the appropriation authorized by this section.

(b) There is hereby authorized to be appropriated to the President for the fiscal year 1956 not to exceed \$146,500,000, and for the fiscal year 1957 not to exceed \$140,500,000, for technical cooperation programs in the Near East and Africa, Asia and Latin America.

SEC. 305. LIMITATION ON USE OF FUNDS.—Funds made available under section 304 may be expended to furnish assistance in the form of equipment or commodities only where necessary for instruction or demonstration purposes.

SEC. 306. MULTILATERAL TECHNICAL COOPERATION.—As one means of accomplishing the purposes of this title, the United States is authorized to participate in multilateral technical cooperation programs carried on by the United Nations, the Organization of American States, their related organizations, and other international organizations, wherever practicable. There is hereby authorized to be appropriated to carry out the purpose of this section, in addition to the amounts authorized by section 304, not to exceed—

(a) \$17,958,000 for making contributions to the United Nations Expanded Program of Technical Assistance; in addition, \$24,000,000 for the fiscal year 1956

Approved For Release : CIA-RDP59-00224A000100370004-1
MUTUAL SECURITY ACT OF 1956

63

[for contributions to the United Nations Expanded Program of Technical Assistance;], and \$15,500,000 for the fiscal year 1957, for such contributions;

(b) \$1,500,000 for making contributions to the technical cooperation program of the Organization of American States; in addition, \$1,500,000 for the fiscal year 1956 [for contributions to the technical cooperation programs of the Organization of American States.]**[, and \$1,500,000 for the fiscal year 1957, for such contributions.]**

SEC. 307. ADVANCES AND GRANTS; CONTRACTS.—The President may make advances and grants-in-aid of technical cooperation programs to any person, corporation, or other body of persons or to any foreign government agency. The President may make and perform contracts and agreements in respect to technical cooperation programs on behalf of the United States Government with any person, corporation, or other body of persons however designated, whether within or without the United States, or with any foreign government or foreign government agency. A contract or agreement which entails commitments for the expenditure of funds appropriated pursuant to this title may, subject to any future action of the Congress, [run for not to exceed three years.] extend at any time for not more than three years.

SEC. 308. INTERNATIONAL DEVELOPMENT ADVISORY BOARD.—There shall be an advisory board, referred to in this section as the "Board," which shall advise and consult with the President, or such other officer as he may designate to administer this title, with respect to general or basic policy matters arising in connection with the operation of programs authorized by this title, title II, and section 413 (b). The Board shall consist of not more than thirteen members appointed by the President, one of whom, by and with the advice and consent of the Senate, shall be appointed by him as chairman. The members of the Board shall be broadly representative of voluntary agencies and other groups interested in the programs, including business, labor, agriculture, public health, and education. All members of the Board shall be citizens of the United States; none except the chairman shall be an officer or an employee of the United States (including any United States Government agency) who as such regularly receives compensation for current services. Members of the Board, other than the chairman if he is an officer of the United States Government, shall receive out of funds made available for the purpose of this title a per diem allowance of \$50 for each day spent away from their homes or regular places of business for the purpose of attendance at meetings of the Board or at conferences held upon the call of the chairman, and in necessary travel, and while so engaged they may be paid actual travel expenses and not to exceed \$10 per diem, or at the applicable rate prescribed in the Standardized Government Travel Regulations, as amended from time to time, whichever is higher, in lieu of subsistence and other expenses.

TITLE IV—OTHER PROGRAMS

SEC. 401. SPECIAL FUND.—(a) Of the funds made available under this Act, not to exceed [\$50,000,000] **\$150,000,000**, in addition to the funds authorized to be appropriated under subsection (b) hereof, may be used in any fiscal year, without regard to the requirements of this Act or any other Act for which funds are authorized by this Act, in furtherance of any of the purposes of such Acts, when the President determines that such use is important to the security of the United States. Not to exceed \$100,000,000 of the funds available under this section may be expended for any selected persons who are residing in or escapees from the Soviet Union, Poland, Czechoslovakia, Hungary, Rumania, Bulgaria, Albania, Lithuania, Latvia, and Estonia or the Communist-dominated or Communist-occupied areas of Germany and Austria, or any Communist-dominated or Communist-occupied areas of Asia and any other countries absorbed by the Soviet Union, either to form such persons into elements of the military forces supporting the North Atlantic Treaty Organization or for other purposes, when the President determines that such assistance will contribute to the defense of the North Atlantic area or to the security of the United States. Certification by the President that he has expended amounts under this Act not in excess of \$50,000,000, and that it is inadvisable to specify the nature of such expenditures, shall be deemed a sufficient voucher for such amounts. Not more than [\$20,000,-000] **\$30,000,000** of the funds available under this section may be allocated to any one nation in any fiscal year.

(b) There is hereby authorized to be appropriated to the President for the fiscal year 1956 \$100,000,000, and for the fiscal year 1957 not to exceed \$100,000,000, for use in accordance with subsection (a) of this section.

Approved For Release : CIA-RDP59-00224A000100370004-1
64 MUTUAL SECURITY ACT OF 1956

SEC. 402. EARMARKING OF FUNDS.—Of the funds authorized to be made available pursuant to this Act for the fiscal year 1956, not less than \$300,000,000, and of the funds so authorized for the fiscal year 1957 not less than \$250,000,000, shall be used to finance the export and sale for foreign currencies of surplus agricultural commodities or products thereof produced in the United States, in addition to surplus agricultural commodities or products transferred pursuant to the Agricultural Trade Development and Assistance Act of 1954, and in accordance with the standards as to pricing and the use of private trade channels expressed in section 101 of said Act. Foreign currency proceeds accruing from such sales shall be used for the purposes of this Act and with particular emphasis on the purposes of section 104 of the Agricultural Trade Development and Assistance Act of 1954 which are in harmony with the purposes of this Act. Notwithstanding section 1415 of the Supplemental Appropriation Act, 1953, or any other provision of law, the President may use or enter into agreements with friendly nations or organizations of nations to use for such purposes the foreign currencies which accrue to the United States under this section.

SEC. 403. SPECIAL ASSISTANCE IN JOINT CONTROL AREAS.—(a) The President is hereby authorized to furnish commodities, services, and financial and other assistance to nations and areas for which the United States has responsibility at the time of the enactment of this Act as a result of participation in joint control arrangements where found by the President to be in the interest of the security of the United States. There is hereby authorized to be appropriated to the President for the fiscal year 1955 not to exceed \$25,000,000 to carry out this section.

(b) There is hereby authorized to be appropriated to the President for the fiscal year 1956 not to exceed \$21,000,000, and for the fiscal year 1957 not to exceed \$12,200,000, to carry out this section.

SEC. 404. RESPONSIBILITIES IN GERMANY.—Upon approval by the Secretary of State, a part of the German currency now or hereafter deposited under the bilateral agreement of December 15, 1949, between the United States and the Federal Republic of Germany (or any supplementary or succeeding agreement) shall be deposited in the GARIOA (Government and Relief in Occupied Areas) Special Account under the terms of article V of that agreement, and currency which has been or may be deposited in said account, and any portion of funds made available for assistance to the Federal Republic of Germany pursuant to section 403 of this Act, may be used for expenses necessary to meet the responsibilities or objectives of the United States in Germany, including responsibilities arising under the supreme authority assumed by the United States on June 5, 1945, and under contractual arrangements with the Federal Republic of Germany. Expenditures may be made under authority of this section in amounts and under conditions determined by the Secretary of State after consultation with the official primarily responsible for administration of programs under chapter 3 of title I, and without regard to any provision of law which the President determines must be disregarded in order to meet such responsibilities or objectives.

SEC. 405. MIGRANTS, REFUGEES, AND ESCAPEES.—(a) The President is hereby authorized to continue membership for the United States on the Intergovernmental Committee for European Migration in accordance with its constitution approved in Venice, Italy, on October 19, 1953. For the purpose of assisting in the movement of migrants, there is hereby authorized to be appropriated not to exceed \$11,189,190 for contributions during the calendar year 1955 to the Intergovernmental Committee for European Migration, and thereafter such amounts as may be necessary from time to time for the payment by the United States of its contributions to the Committee and all necessary salaries and expenses incident to United States participation in the Committee. In addition, the unexpended balance of the appropriation made pursuant to section 534 of the Mutual Security Act of 1951, as amended, is hereby authorized to be continued available for the purpose of this subsection through June 30, 1955, and to be consolidated with the appropriation authorized in this subsection.

(b) Of the funds made available under this Act, not more than \$800,000 may be used by the President to facilitate the migration to the other American Republics of persons resident in that portion of the Ryukyu Island Archipelago under United States control.

(c) There is hereby authorized to be appropriated for the fiscal year 1956 not to exceed \$1,400,000, and for the fiscal year 1957 not to exceed \$2,300,000, for contributions to the United Nations Refugee Fund.

(d) There is hereby authorized to be appropriated to the President for the fiscal year 1956 not to exceed \$6,000,000, and for the fiscal year 1957 not to exceed \$7,000,000, for continuation of activities, including care, training, and resettle-

Approved For Release : CIA-RDP59-00224A000100370004-1

MUTUAL SECURITY ACT OF 1956

ment, which have been undertaken for selected escapees under section 401 of this Act.

SEC. 406. CHILDREN'S WELFARE.—(a) There is hereby authorized to be appropriated not to exceed \$13,500,000 for contributions during the fiscal year 1955 to the United Nations Children's Fund.

(b) There is hereby authorized to be appropriated for the fiscal year 1956 not to exceed \$14,500,000, and for the fiscal year 1957 not to exceed \$10,000,000, for contributions to the United Nations Children's Fund.

SEC. 407. PALESTINE REFUGEES IN THE NEAR EAST.—(a) There is hereby authorized to be appropriated to the President for the fiscal year 1955, not to exceed \$30,000,000, to be used to make contributions to the United Nations Relief and Works Agency for Palestine Refugees in the Near East. In addition, the unexpended balance of the appropriation made for the Palestine refugee program in the Mutual Security Appropriation Act, 1954, is hereby authorized to be continued available for the purpose of this section through June 30, 1955. Whenever the President shall determine that it would more effectively contribute to the relief, rehabilitation, and resettlement of Palestine refugees in the Near East, he may expend any part of the funds made available pursuant to this section through any other agency he may designate.

(b) There is hereby authorized to be appropriated to the President [for the fiscal year 1956] not to exceed \$65,000,000 to be used to make contributions to the United Nations Relief and Works Agency for Palestine Refugees in the Near East.

SEC. 408. NORTH ATLANTIC TREATY ORGANIZATION.—(a) In order to provide for United States participation in the North Atlantic Treaty Organization, there is hereby authorized to be appropriated for the fiscal year 1955 not to exceed \$3,200,000 for payment by the United States of its share of the expenses of the Organization, and thereafter such amounts as may be necessary from time to time for the payment by the United States of its share of the expenses of the Organization and all necessary salaries and expenses of the United States permanent representative to the Organization, of such persons as may be appointed to represent the United States in the subsidiary bodies of the Organization or in any multilateral organization which participates in achieving the aims of the North Atlantic Treaty, and of their appropriate staffs, and the expenses of participation in meetings of such organizations, including salaries, expenses, and allowances of personnel and dependents as authorized by the Foreign Service Act of 1946, as amended (22 U. S. C. 801), and allowances and expenses as provided in section 6 of the Act of July 30, 1946 (22 U. S. C. 287r).

(b) The United States permanent representative to the North Atlantic Treaty Organization shall be appointed by the President by and with the advice and consent of the Senate and shall hold office at the pleasure of the President. Such representative shall have the rank and status of ambassador extraordinary and plenipotentiary and shall be a chief of mission, class 1, within the meaning of the Foreign Service Act of 1946, as amended (22 U. S. C. 801).

(c) Persons detailed to the international staff of the North Atlantic Treaty Organization in accordance with section 529 of this Act who are appointed as Foreign Service Reserve officers may serve for periods of more than four years notwithstanding the limitation in section 522 of the Foreign Service Act of 1946, as amended (22 U. S. C. 922).

SEC. 409. OCEAN FREIGHT CHARGES.—(a) In order to further the efficient use of United States voluntary contributions for relief and rehabilitation in nations and areas eligible for assistance under this Act, the President may pay ocean freight charges from United States ports to designated ports of entry of such nations and areas on shipments by United States voluntary nonprofit relief agencies registered with and approved by the Advisory Committee on Voluntary Foreign Aid and shipments by the American Red Cross.

(b) Where practicable the President shall make arrangements with the receiving nation for free entry of such shipments and for the making available by that nation of local currencies for the purpose of defraying the transportation cost of such shipments from the port of entry of the receiving nation to the designated shipping point of the consignee.

(c) There is hereby authorized to be appropriated to the President for the fiscal year 1955 not to exceed \$4,400,000 to carry out the purposes of this section; and, in addition, unexpended balances of appropriations heretofore made pursuant to section 535 of the Mutual Security Act of 1951, as amended, are authorized to be continued available for the purposes of this section through June 30, 1955, and to be consolidated with the appropriation authorized in this section. There is hereby authorized to be appropriated to the President for the fiscal year

Approved For Release : CIA-RDP59-00224A000100370004-1
66 MUTUAL SECURITY ACT OF 1956

1956 not to exceed \$2,000,000, and for the fiscal year 1957 not to exceed \$1,400,000, to carry out the purposes of this section.

(d) There is hereby authorized to be appropriated to the President for the fiscal year 1956 not to exceed \$13,000,000, and for the fiscal year 1957 not to exceed \$14,000,000, to pay ocean freight charges on shipments of surplus agricultural commodities, including commodities made available pursuant to any Act for the disposal abroad of United States agricultural surpluses. In addition, any funds made available under this Act may be used, in amounts determined by the President, for the purposes of this subsection.

SEC. 410. CONTROL ACT EXPENSES.—There is hereby authorized to be appropriated to the President for the fiscal year 1955 not to exceed \$1,300,000, and for the fiscal year 1956 not to exceed \$1,175,000, and for the fiscal year 1957 not to exceed \$1,175,000, for carrying out the objectives of the Mutual Defense Assistance Control Act of 1951 (22 U. S. C. 1611). In addition, in accordance with section 303 of that Act, funds made available for carrying out chapter 1 of title I of this Act shall be available for carrying out the purpose of this section in such amounts as the President may direct.

SEC. 411. ADMINISTRATIVE AND OTHER EXPENSES.—(a) Whenever possible, the expenses of administration of this Act shall be paid for in the currency of the nation where the expense is incurred.

(b) There is hereby authorized to be appropriated to the President for the fiscal year 1955 not to exceed \$34,700,000, and for the fiscal year 1956 not to exceed \$35,225,000, [for all necessary administrative expenses incident to carrying out the provisions of this Act other than chapter 1 of title I and section 124.] and for the fiscal year 1957 not to exceed \$35,250,000 for necessary administrative expenses incident to carrying out the provisions of this Act (other than chapter 1 of title I and section 124).

(c) Not to exceed \$1,500,000 of funds made available under title II may be transferred in the fiscal year 1957 for necessary administrative expenses not otherwise provided for incident to carrying out functions under the Agricultural Trade Development and Assistance Act of 1954, as amended (? U. S. C. 1691 and the following), delegated or assigned to any agency or officer administering nonmilitary assistance, and the amounts so transferred shall be consolidated with funds made available pursuant to this section for said fiscal year.

(d) There are authorized to be appropriated to the Department of State such amounts as may be necessary from time to time for administrative expenses which are incurred for normal functions of the Department which relate to functions under this Act.

[e] (e) Funds made available for the purposes of this Act may be used for compensation, allowances, and travel of personnel, including Foreign Service personnel whose services are utilized primarily for the purposes of this Act, and without regard to the provisions of any other law, for printing and binding, and for expenditures outside the continental limits of the United States for the procurement of supplies and services and for other administrative and operating purposes (other than compensation of personnel) without regard to such laws and regulations governing the obligation and expenditure of Government funds as may be necessary to accomplish the purposes of this Act.

SEC. 412. CHINESE AND KOREAN STUDENTS.—Funds heretofore allocated to the Secretary of State pursuant to the last proviso of section 202 of the China Area Aid Act of 1950 (22 U. S. C. 1547) shall continue to be available until expended, under such regulations as the Secretary of State may prescribe, using private agencies to the maximum extent practicable, for necessary expenses of tuition, subsistence, travel, sportation, and emergency medical care for selected citizens of China and of Korea for studying or teaching in accredited colleges, universities, or other educational institutions in the United States approved by the Secretary of State for the purpose, or for research and related academic and technical activities in the United States, and such selected citizens of China who have been admitted for the purpose of study in the United States shall be granted permission to accept employment upon application filed with the Commissioner of Immigration and Naturalization pursuant to regulations promulgated by the Attorney General.

SEC. 413. ENCOURAGEMENT OF FREE ENTERPRISE AND PRIVATE PARTICIPATION.—(a) The Congress recognizes the vital role of free enterprise in achieving rising levels of production and standards of living essential to the economic progress and defensive strength of the free world. Accordingly, it is declared to be the policy of the United States to encourage the efforts of other free nations to increase the flow of international trade, to foster private initiative and competition, to discourage monopolistic practices, to improve the technical efficiency of their industry, agriculture and commerce, and to strengthen free labor unions; and to encourage the contribution of United States enterprise toward economic strength

of other free nations, through private trade and investment abroad, private participation in the programs carried out under this Act (including the use of private trade channels to the maximum extent practicable in carrying out such programs), and exchange of ideas and technical information on the matters covered by this section.

(b) In order to encourage and facilitate participation by private enterprise to the maximum extent practicable in achieving any of the purposes of this Act, the President—

(1) shall make arrangements to find and draw the attention of private enterprise to opportunities for investment and development in other free nations;

(2) shall accelerate a program of negotiating treaties for commerce and trade, including tax treaties, which shall include provisions to encourage and facilitate the flow of private investment to, and its equitable treatment in, nations participating in programs under this Act;

(3) shall, consistent with the security and best interests of the United States, seek compliance by other countries or a dependent area of any country with all treaties for commerce and trade and taxes and shall take all reasonable measures under this Act or other authority to secure compliance therewith and to assist United States citizens in obtaining just compensation for losses sustained by them or payments exacted from them as a result of measures taken or imposed by any country or dependent area thereof in violation of any such treaty; and

(4) may make, through the International Cooperation Administration until [June 30, 1957] June 30, 1967, under rules and regulations prescribed by him, guaranties to any person of investments in connection with projects, including expansion, modernization, or development of existing enterprises, in any nation with which the United States has agreed to institute the guaranty program. *Provided*, That—

(A) such projects shall be approved by the President as furthering any of the purposes of this Act, and by the nation concerned;

(B) the guaranty to any person shall be limited to assuring any or all of the following:

(i) the transfer into United States dollars of other currencies, or credits in such currencies, received by such person as earnings or profits from the approved project, as repayment or return of the investment therein, in whole or in part, or as compensation for the sale or disposition of all or any part thereof;

(ii) the compensation in United States dollars for loss of all or any part of the investment in the approved project which shall be found by the President to have been lost to such person by reason of expropriation or confiscation by action of the government of a foreign nation or by reason of war, revolution, or insurrection;

(C) when any payment is made to any person pursuant to a guaranty as hereinbefore described, the currency, credits, assets, or investment on account of which such payment is made shall become the property of the United States Government, and the United States Government shall be subrogated to any right, title, claim or cause of action existing in connection therewith;

(D) the guaranty to any person shall not exceed the amount of dollars invested in the project by such person with the approval of the President plus actual earnings or profits on said project to the extent provided by such guaranty, and shall be limited to a term not exceeding twenty years from the date of issuance;

(E) a fee shall be charged in an amount not exceeding 1 per centum per annum of the amount of each guaranty under clause (i) of subparagraph (B) and not exceeding 4 per centum of the amount of each guaranty under clause (ii) of such subparagraph, and all fees collected hereunder shall be available for expenditure in discharge of liabilities under guaranties made under this section until such time as all such liabilities have been discharged or have expired, or until all such fees have been expended in accordance with the provisions of this section;

[(F) the President is authorized to issue guaranties up to a total of \$200,000,000: *Provided*, That any funds allocated to a guaranty and remaining after all liability of the United States assumed in connection therewith has been released, discharged, or otherwise terminated, shall be available for allocation to other guaranties, the foregoing limitation notwithstanding. Any payments made to discharge liabilities under guaranties issued under this subsection shall be paid out of fees collected under subparagraph (E) as long as such fees are available, and thereafter shall be paid out of funds realized from the sale of notes which have been issued under authority of paragraph 111 (c) (2) of the Economic Cooperation Act of 1948, as amended, when necessary to discharge liabilities under any such guaranty;]

Approved For Release : CIA-RDP59-00224A000100370004-1
68 MUTUAL SECURITY ACT OF 1956

(F) the President is authorized to issue guarantees up to a total face value of \$500,000,000 exclusive of informational media guarantees heretofore and hereafter issued pursuant to section 1011 of the Act of January 27, 1948, as amended (22 U. S. C. 1442), and section 111 (b) (3) of the Economic Cooperation Act of 1948, as amended (22 U. S. C. 1509 (b) (3)): Provided, That any funds allocated to a guaranty and remaining after all liability of the United States assumed in connection therewith has been released, discharged, or otherwise terminated, and funds realized after June 30, 1956, from the sale of currencies or other assets acquired pursuant to subparagraph (C), shall be available for allocation to other guarantees, and the foregoing limitation shall be increased to the extent that such funds become available. Any payments made to discharge liabilities under guarantees issued under this paragraph shall be paid out of fees collected under subparagraph (E) as long as such fees are available, and thereafter shall be paid out of funds realized from the sale of currencies or other assets acquired pursuant to subparagraph (C) and notes which have been issued under authority of paragraph 111 (c) (2) of the Economic Cooperation Act of 1948, as amended, and authorized to be issued under this paragraph by the Director of the International Cooperation Administration, when necessary to discharge liabilities under any such guaranty: Provided, That all guarantees issued after June 30, 1956, pursuant to this paragraph shall be considered for the purposes of sections 3679 (31 U. S. C. 665) and 3732 (41 U. S. C. 11) of the Revised Statutes, as amended, as obligations only to the extent of the probable ultimate net cost to the United States of such guarantees, and the President shall, in the submission to the Congress of the reports required by section 534 of this Act, include information on the operation of this paragraph: Provided further, That at all times funds shall be allocated to all outstanding guarantees issued prior to July 1, 1956, exclusive of informational media guarantees issued pursuant to section 1011 of the Act of January 27, 1948, as amended (22 U. S. C. 1442), and section 111 (b) (3) of the Economic Cooperation Act of 1948, as amended, equal to the sum of the face value of said guarantees. For the purpose of this paragraph the Director of the International Cooperation Administration is authorized to issue notes (in addition to the notes heretofore issued pursuant to paragraph 111 (c) (2) of the Economic Cooperation Act of 1948, as amended) in an amount not to exceed \$37,500,000, and on the same terms and conditions applicable to notes issued pursuant to said paragraph 111 (c) (2).

(G) the guaranty program authorized by this paragraph shall be used to the maximum practicable extent and shall be administered under broad criteria so as to facilitate and increase the participation of private enterprise in achieving any of the purposes of this Act;

(II) as used in this paragraph—

(i) the term "person" means a citizen of the United States or any corporation, partnership, or other association created under the law of the United States or of any State or Territory and substantially beneficially owned by citizens of the United States, and

(ii) the term "investment" includes any contribution of capital goods, materials, equipment, services, patents, processes, or techniques by any person in the form of (1) a loan or loans to an approved project, (2) the purchase of a share of ownership in any such project, (3) participation in royalties, earnings, or profits of any such project, and (4) the furnishing of capital goods items and related services pursuant to a contract providing for payment in whole or in part after the end of the fiscal year in which the guaranty of such investment is made.

SEC. 414. MUNITIONS CONTROL.—(a) The President is authorized to control, in furtherance of world peace and the security and foreign policy of the United States, the export and import of arms, ammunition, and implements of war, including technical data relating thereto, other than by a United States Government agency. The President is authorized to designate those articles which shall be considered as arms, ammunition, and implements of war, including technical data relating thereto, for the purposes of this section.

(b) As prescribed in regulations issued under this section, every person who engages in the business of manufacturing, exporting, or importing any arms, ammunition, or implements of war, including technical data relating thereto, designated by the President under subsection (a) shall register with the United States Government agency charged with the Administration of this section and in addition, shall pay a registration fee which shall be prescribed by such regulations.

(c) Any person who willfully violates any provision of this section or any rule or regulation issued under this section, or who willfully, in a registration or license application, makes any untrue statement of a material fact or omits to

Approved For Release : CIA-RDP59-00224A000100370004-1

MUTUAL SECURITY ACT OF 1950

69

state a material fact required to be stated therein or necessary to make the statements therein not misleading, shall upon conviction be fined not more than \$25,000 or imprisoned not more than two years, or both.

SEC. 415. ASSISTANCE TO INTERNATIONAL [ORGANIZATION] ORGANIZATIONS.— Whenever it will assist in achieving purposes declared in this Act, the President is authorized to use funds available under sections 131 and 403 in order to furnish assistance, including by transfer of funds, directly to the North Atlantic Treaty Organization and the Organization for European Economic Cooperation, for a strategic stockpile of foodstuffs and other supplies, or for other purposes.

SEC. 416. FACILITATION AND ENCOURAGEMENT OF TRAVEL.—The President, through such officer or commission as he may designate, shall facilitate and encourage, without cost to the United States except for administration expenses, the promotion and development of travel by citizens of the United States to and within countries receiving assistance under this Act and travel by citizens of such countries to the United States.

SEC. 417. IRISH COUNTERPART.—Pursuant to section 115 (b) (6) of the Economic Cooperation Act of 1948, as amended, the disposition within Ireland of the unencumbered balance, in the amount of approximately 6,000,000 Irish pounds, of the special account of Irish funds established under article IV of the Economic Cooperation Agreement between the United States of America and Ireland, dated June 28, 1948, for the purposes of—

- (1) scholarship exchange between the United States and Ireland;
- (2) other programs and projects (including the establishment of an Agricultural Institute) to improve and develop the agricultural production and marketing potential of Ireland and to increase the production and efficiency of Irish industry; and
- (3) development programs and projects in aid of the foregoing objectives, is hereby approved, as provided in the agreement between the Government of the United States of America and the Government of Ireland, dated June 17, 1954.

SEC. 418. PRESIDENT'S FUND FOR ASIAN ECONOMIC DEVELOPMENT.—(a) The Congress of the United States reaffirms the policy of the United States to contribute to international peace and security through assisting the peoples of free Asia in their efforts to attain economic and social well-being, to safeguard basic rights and liberties, and to protect their security and independence. The Congress hereby recognizes that fundamental to these goals is an expanding economic growth of the free Asia area based upon self-help and mutual cooperation and full utilization of already existing resources and knowledge. The Congress expresses the willingness of the people of the United States to support the foregoing objectives to the extent to which the countries in the area continue to make effective use of their own resources and external resources otherwise available to them.

(b) In order to carry out the purposes of this section, there is hereby authorized to be established a fund, to be known as the "President's Fund for Asian Economic Development" (hereinafter referred to as "the Fund") and there is hereby authorized to be appropriated to the President for the Fund an amount of \$200,000,000, such amount to remain available until June 30, 1958.

(c) The President is authorized to utilize the appropriations made available for the Fund to accomplish in the free Asian area the policies and purposes declared in this Act and to disburse on such terms and conditions, including transfer of funds, as he may specify to any person, corporation, or other body of persons however designated, or to any friendly foreign government, agency, or organization or group of friendly governments or agencies as may be appropriate: *Provided, however,* That such assistance shall emphasize loans rather than grants wherever possible, and not less than 50 per centum of the funds appropriated pursuant to this section shall be available only for furnishing assistance on terms of repayment in accordance with the provisions of section 505, and not more than 25 per centum of said funds may be allocated for assistance to any one nation.

(d) In utilizing the Fund the President shall give preference to projects or programs that will clearly contribute to promoting greater economic strength in the area as a whole or among a group or groups of countries of the area.

SEC. 419. —WORLD HEALTH ORGANIZATION.—Section 3 (a) of Public Law 643, Eightieth Congress, approved June 14, 1948, as amended, is hereby amended to read as follows:

"(a) such sums as may be necessary for the payment by the United States of its share of the expenses of the Organization as apportioned by the Health Assembly in accordance with article 56 of the constitution of the Organization, except that payments by the United States for any fiscal year of the Organization after 1958 shall not exceed 33½ per centum of the total assessments of active members of the Organization for such fiscal year; and."

Approved For Release : CIA-RDP59-00224A000100370004-1
70 MUTUAL SECURITY ACT OF 1956

Sec. 420. FOOD AND AGRICULTURE ORGANIZATION.—Public Law 174, Seventy-ninth Congress, as amended by section 1 (b) of Public Law 806, Eighty-first Congress, is hereby further amended by striking out the figure “2,000,000” in section 2 thereof and inserting in lieu thereof the figure “3,000,000”.

TITLE V—MISCELLANEOUS PROVISIONS

CHAPTER 1. GENERAL PROVISIONS

SEC. 501. TRANSFERABILITY OF FUNDS.—Whenever the President determines it to be necessary for the purposes of this Act, not to exceed 10 per centum of the funds made available pursuant to any provision of this Act may be transferred to and consolidated with the funds made available pursuant to any other provisions of this Act, and may be used for any of the purposes for which such funds may be used, except that the total in the provision for the benefit of which the transfer is made shall not be increased by more than 20 per centum of the amount made available for such provision pursuant to this Act. Funds transferred under this section to furnish military assistance under chapter 1 of title I may be expended without regard to the area limits imposed by section 105 (c). [Of any funds transferred under this section for the purpose of furnishing assistance under section 201, 30 per centum shall be available only for furnishing assistance on terms of repayment in accordance with section 505. Not less than 50 per centum of any assistance furnished under paragraph (1), (2), or (3) of section 201 (a) with funds transferred under this section shall be furnished on terms of repayment in accordance with section 505.] Any funds transferred under this section for the purpose of furnishing assistance under section 201 shall be available only for furnishing assistance on terms of repayment in accordance with section 505, for furnishing surplus agricultural commodities under section 402, or for making grants for regional projects involving two or more beneficiary nations.

SEC. 502. USE OF FOREIGN CURRENCY.—(a) Notwithstanding section 1415 of the Supplemental Appropriation Act, 1953, or any other provision of law, proceeds of sales made under section 550 of the Mutual Security Act of 1951, as amended, shall remain available and shall be used for any purposes of this Act, giving particular regard to the following purposes—

- (1) for providing military assistance to nations or mutual defense organizations eligible to receive assistance under this Act;
- (2) for purchase of goods or services in friendly nations;
- (3) for loans, under applicable provisions of this Act, to increase production of goods or services, including strategic materials, needed in any nation with which an agreement was negotiated, or in other friendly nations, with the authority to use currencies received in repayment for the purposes stated in this section or for deposit to the general account of the Treasury of the United States;
- (4) for developing new markets on a mutually beneficial basis;
- (5) for grants-in-aid to increase production for domestic needs in friendly countries; and
- (6) for purchasing materials for United States stockpiles.

(b) Notwithstanding section 1415 of the Supplemental Appropriation Act, 1953, or any other provision of law, local currencies owned by the United States shall be made available to appropriate committees of the Congress engaged in carrying out their duties under section 136 of the Legislative Reorganization Act of 1946, as amended, and to the Joint Committee on Atomic Energy and the Joint Committee on the Economic Report for their local currency expenses: *Provided*, That any such committee of the Congress which uses local currency shall make a full report thereof to the Committee on House Administration of the House of Representatives (if the committee using such currency is a committee of the House of Representatives) or to the Committee on Appropriations of the Senate (if the committee using such currency is a committee of the Senate or a joint committee of the Congress), showing the total amount of such currency so used in each country and the purposes for which it was expended.

SEC. 503. TERMINATION OF ASSISTANCE.—(a) If the President determines that the furnishing of assistance to any nation under any provision of this Act—

- (1) is no longer consistent with the national interest or security or the foreign policy of the United States; or
- (2) would no longer contribute effectively to the purposes for which such assistance is furnished; or
- (3) is no longer consistent with the obligations and responsibilities of the United States under the Charter of the United Nations.

Approved For Release : CIA-RDP59-00224A000100370004-1

he shall terminate all or part of any assistance furnished pursuant to this Act. If the President determines that any nation which is receiving assistance under chapter 1 of title I of this Act is not making its full contribution to its own defense or to the defense of the area of which it is a part, he shall terminate all or part of such assistance. Assistance to any nation under any provision of this Act may, unless sooner terminated by the President, be terminated by concurrent resolution. Funds made available under this Act shall remain available for twelve months from the date of termination under this subsection for the necessary expenses of liquidating assistance programs.

(b) Unless sooner abolished under section 525, the Foreign Operations Administration shall cease to exist at the close of June 30, 1955.

Sec. 504. SMALL BUSINESS.—(a) Insofar as practicable and to the maximum extent consistent with the accomplishment of the purposes of this Act, the President shall assist American small business to participate equitably in the furnishing of commodities and services financed with funds authorized under titles II, III, and IV, and chapters 2 and 3 of title I, of this Act—

(1) by causing to be made available to suppliers in the United States and particularly to small independent enterprises, information, as far in advance as possible, with respect to purchases proposed to be financed with such funds,

(2) by causing to be made available to prospective purchasers in the nations receiving assistance under this Act information as to commodities and services produced by small independent enterprises in the United States, and

(3) by providing for additional services to give small business better opportunities to participate in the furnishing of commodities and services financed with such funds.

(b) There shall be an Office of Small Business, headed by a Special Assistant for Small Business, in such United States Government agency as the President may direct, to assist in carrying out the provisions of subsection (a) of this section.

(c) The Secretary of Defense shall assure that there is made available to suppliers in the United States, and particularly to small independent enterprises, information with respect to purchases made by the Department of Defense pursuant to chapter 1 of title I, such information to be furnished as far in advance as possible.

Sec. 505. LOAN ASSISTANCE AND SALES.—(a) Assistance under this Act may be furnished on a grant basis or on such terms, including cash, credit, or other terms of repayment (including repayment in foreign currencies or by transfer to the United States of materials required for stockpiling or other purposes) as may be determined to be best suited to the achievement of the purposes of this Act and shall emphasize loans rather than grants wherever possible. Whenever commodities or services are sold for foreign currencies the President, notwithstanding section 1415 of the Supplemental Appropriation Act, 1953, or any other provision of law, may use or enter into arrangements with friendly nations or organizations of nations to use such currencies for the purposes for which the funds providing the commodities or services which generated the currencies were appropriated.

(b) Of the funds made available pursuant to this Act and foreign currencies accruing to the United States under section 402, the equivalent of not less than \$200,000,000 shall be available only for the furnishing of assistance on terms of repayment. Funds for the purpose of furnishing assistance on terms of repayment shall be allocated to the Export-Import Bank of Washington, which shall, notwithstanding the provisions of the Export-Import Bank Act of 1945 (59 Stat. 526), as amended, make and administer the credit on such terms. Credits made by the Export-Import Bank of Washington with funds so allocated to it shall not be considered in determining whether the Bank has outstanding at any one time loans and guaranties to the extent of the limitation imposed by section 7 of the Export-Import Bank Act of 1945 (59 Stat. 529), as amended. Amounts received in repayment of principal and interest on any loan made under this section shall be held by the Treasury to be used for such purposes, including further loans, as may be authorized from time to time by Congress. Amounts received in repayment of principal and interest on any credits made under paragraph 111 (e) (2) of the Economic Cooperation Act of 1948, as amended, shall be deposited into miscellaneous receipts of the Treasury, except that, to the extent required for such purpose, amounts received in repayment of principal and interest on any credits made out of funds realized from the sale of notes heretofore authorized to be issued for the purpose of financing assistance on a credit basis under paragraph 111 (e) (2) of the Economic Cooperation Act of 1948, as amended, shall be deposited into the Treasury for the purpose of the retirement of such notes.

Approved For Release : CIA-RDP59-00224A000100370004-1

SEC. 506. PATENTS AND TECHNICAL INFORMATION.—(a) As used in this section—

(1) the term "invention" means an invention or discovery covered by a patent issued by the United States; and

(2) the term "information" means information originated by or peculiarly within the knowledge of the owner thereof and those in privity with him, which is not available to the public and is subject to protection as property under recognized legal principles.

(b) Whenever, in connection with the furnishing of any assistance in furtherance of the purposes of this Act—

(1) use within the United States, without authorization by the owner, shall be made of an invention; or

(2) damage to the owner shall result from the disclosure of information by reason of acts of the United States or its officers or employees, the exclusive remedy of the owner of such invention or information shall be by suit against the United States in the Court of Claims or in the District Court of the United States for the district in which such owner is a resident for reasonable and entire compensation for unauthorized use or disclosure. In any such suit the United States may avail itself of any and all defenses, general or special, that might be pleaded by any defendant in a like action.

(c) Before such suit against the United States has been instituted, the head of the appropriate United States Government agency, which has furnished any assistance in furtherance of the purposes of this Act, is authorized and empowered to enter into an agreement with the claimant, in full settlement and compromise of any claim against the United States hereunder.

(d) The provisions of the last sentence of section 1498 of title 28 of the United States Code shall apply to inventions and information covered by this section.

(e) Except as otherwise provided by law, no recovery shall be had for any infringement of a patent committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action, except that the period between the date of receipt by the Government of a written claim under subsection (c) above for compensation for infringement of a patent and the date of mailing by the Government of a notice to the claimant that his claim has been denied shall not be counted as part of the six years, unless suit is brought before the last-mentioned date.

SEC. 507. AVAILABILITY OF FUNDS.—Except as otherwise provided in section 104 (pertaining to infrastructure), 405 (pertaining to movement of migrants), 408 (a) (pertaining to North Atlantic Treaty Organization), and 412 (pertaining to Chinese and Korean students), and other provisions of this Act, funds shall be available to carry out the provisions of this Act (other than sections 414 and 416) as authorized and appropriated to the President each fiscal year.

SEC. 508. LIMITATION ON FUNDS FOR PROPAGANDA.—None of the funds herein authorized to be appropriated nor any counterpart funds shall be used to pay for personal services or printing, or for other expenses of the dissemination within the United States of general propaganda in support of the mutual security program, or to pay the travel or other expenses outside the United States of any citizen or group of citizens of the United States for the purpose of publicizing such program within the United States.

SEC. 509. SHIPPING ON UNITED STATES VESSELS.—Such steps as may be necessary shall be taken to assure, as far as practicable, that at least 50 per centum of the gross tonnage of commodities, materials and equipment procured out of funds made available under sections 103, 123, 131, 132 (a), 201, 304, and 403 of this Act and transported to or from the United States on ocean vessels, computed separately for dry bulk carriers, dry cargo liner and tanker services and computed separately for section 103, and for sections 123, 131, 132 (a), 201, 304, and 403 (taken together) is so transported on United States flag commercial vessels to the extent such vessels are available at market rates for United States flag commercial vessels provided such rates are fair and reasonable; and, in the administration of this provision, steps shall be taken, insofar as practicable and consistent with the purposes of this Act, to secure a fair and reasonable participation by United States flag commercial vessels in cargoes by geographic area. The ocean transportation between foreign countries of commodities, materials, and equipment procured out of local currency funds made available or derived from funds made available under this Act or the Agricultural Trade Development and Assistance Act of 1954, as amended (? USC 1691 and the following), shall not be governed by the provisions of section 901 (b) of the Merchant Marine Act of 1936, or any other law relating to the ocean transportation of commodities, materials, and equipment on United States flag vessels.

SEC. 510. PURCHASE OF COMMODITIES.—No funds made available under title II or chapter 3 of title I of this Act shall be used for the purchase in bulk of any commodities at prices higher than the market price prevailing in the United States at the time of purchase adjusted for differences in the cost of transportation to destination, quality, and terms of payment. A bulk purchase within the meaning of this section does not include the purchase of raw cotton in bales. Funds made available under title II or chapter 3 of title I of this Act may be used for the procurement of commodities outside the United States unless the President determines that such procurement will result in adverse effects upon the economy of the United States, with special reference to any areas of labor surplus, or upon the industrial mobilization base, which outweigh the economic advantages to the United States of less costly procurement abroad. In providing for the procurement of any surplus agricultural commodity for transfer by grant under this Act to any recipient nation in accordance with the requirements of such nation, the President shall, insofar as practicable and where in furtherance of the purposes of this Act, authorize the procurement of such surplus agricultural commodity only within the United States except to the extent that any such surplus agricultural commodity is not available in the United States in sufficient quantities to supply the requirements of the nations receiving assistance under this Act.

SEC. 511. RETENTION AND RETURN OF EQUIPMENT.—(a) No equipment or materials may be transferred under title I out of military stocks if the Secretary of Defense, after consultation with the Joint Chiefs of Staff, determines that such transfer would be detrimental to the national security of the United States, or that such equipment or materials are needed by the reserve components of the Armed Forces to meet their training requirements.

(b) Any equipment, materials, or commodities procured to carry out this Act shall be retained by, or, upon reimbursement, transferred to and for the use of, such United States Government agency as the President may determine in lieu of being disposed of to a foreign nation or international organization whenever in the judgment of the President the best interests of the United States will be served thereby, or whenever such retention is called for by concurrent resolution. Any commodities so retained may be disposed of without regard to provisions of law relating to the disposal of Government-owned property, when necessary to prevent spoilage or wastage of such commodities or to conserve the usefulness thereof. Funds realized from any such disposal or transfer shall revert to the respective appropriation or appropriations out of which funds were expended for the procurement of such equipment, materials, or commodities or to appropriations currently available for such procurement.

(c) The President shall make appropriate arrangements with each nation receiving equipment or materials under chapter 1 of title I (other than equipment or materials sold under the provisions of section 106) for the return to the United States (1) for salvage or scrap, or (2) for such other disposition as the President shall deem to be in the interest of mutual security, of any such equipment or materials which are no longer required for the purposes for which originally made available.

SEC. 512. PENAL PROVISION.—Whoever offers or gives to anyone who is or in the preceding two years has been an employee or officer of the United States any commission, payment, or gift, in connection with the procurement of equipment, materials, commodities, or services under this Act in connection with which procurement said officer, employee, former officer or former employee is or was employed or performed duty or took any action during such employment, and whoever, being or having been an employee or officer of the United States in the preceding two years, solicits, accepts, or offers to accept any commission, payment, or gift in connection with the procurement of equipment, materials, commodities, or services under this Act in connection with which procurement said officer, employee, former officer or former employee is or was employed or performed duty or took any action during such employment, shall upon conviction thereof be subject to a fine not to exceed \$10,000 or imprisonment for not to exceed three years, or both: *Provided*, That this section shall not apply to persons appointed pursuant to sections 308 or 530 (a) of this Act.

SEC. 513. NOTICE TO LEGISLATIVE COMMITTEES.—When any transfer is made under section 105 (d) or section 501, or any other action is taken under this Act which will result in furnishing assistance of a kind, for a purpose, or to an area, substantially different from that included in the presentation to the Congress during its consideration of this Act, or which will result in expenditures greater by 50 per centum or more than the proposed expenditures included in such presentation for the program concerned, the President or such officer as he may designate shall promptly notify the Committee on Foreign Relations of the

Senate, the Committee on Foreign Affairs of the House of Representatives and, when military assistance is involved, the Committees on Armed Services of the Senate and House of Representatives, stating the justification for such change. Notice shall also be given to the Committee on Foreign Relations of the Senate and the Committee on Foreign Affairs of the House of Representatives of any determination under the first sentence of section 401 (except with respect to unvouched funds), and copies of any certification as to loyalty under section 531 shall be filed with such committees.

SEC. 514. INTERNATIONAL EDUCATIONAL EXCHANGE ACTIVITIES.—Foreign currencies or credits owed to or owned by the United States, where arising from this Act or otherwise, shall, upon a request from the Secretary of State certifying that such funds are required for the purpose of international educational exchange activities under programs authorized by section 32 (b) (2) of the Surplus Property Act of 1944, as amended, be reserved by the Secretary of the Treasury for sale to the Department of State for such activities on the basis of the dollar value at the time of the reservation.

CHAPTER 2. ORGANIZATION AND ADMINISTRATION

SEC. 521. DELEGATION OF AUTHORITY BY THE PRESIDENT.—(a) Except as provided in subsection (b) and section 418 (b) (4), the President may exercise any power or authority conferred on him by this Act through such agency or officer of the United States as he shall direct, and the head of such agency or such officer may from time to time promulgate such rules and regulations as may be necessary and proper to carry out functions under this Act and may delegate authority to perform any of such functions to his subordinates acting under his direction.

(b) After June 30, 1955, the President shall exercise the powers conferred upon him under title III of this Act through the Secretary of State.

SEC. 522. ALLOCATION AND REIMBURSEMENT AMONG AGENCIES.—(a) The President may allocate or transfer to any United States Government agency any part of any funds available for carrying out the purposes of this Act, including any advance to the United States by any nation or international organization for the procurement of equipment or materials or services. Such funds shall be available for obligation and expenditure for the purposes for which authorized, in accordance with authority granted in this Act or under authority governing the activities of the Government agencies to which such funds are allocated or transferred. Funds allocated to the Department of Defense shall be governed as to reimbursement by the procedures of subsection (c) of this section.

(b) Any officer of the United States performing functions under this Act may utilize the services and facilities of, or procure commodities from, any United States Government agency as the President shall direct, or with the consent of the head of such agency, and funds allocated pursuant to this subsection to any such agency may be established in separate appropriation accounts on the books of the Treasury. *The Administrator of General Services is authorized to maintain in a separate consolidated account, which shall be free from fiscal year limitations, payments received by the General Services Administration for administrative surcharges in connection with procurement services performed by the General Services Administration in furtherance of the purposes of this Act. Such payments shall be in amounts mutually acceptable to the General Services Administration and the agency administering nonmilitary assistance, and these amounts shall be available for administrative expenses incurred by the General Services Administration in performing such procurement services.*

(c) Reimbursement shall be made to any United States Government agency, from funds available to carry out chapter I of title I of this Act, for any assistance furnished under that chapter from, by, or through such agency. Such reimbursement shall be in an amount equal to the value (as defined in section 545) of the equipment and materials, services (other than salaries of members of the Armed Forces of the United States), or other assistance furnished, plus expenses arising from or incident to operations under that chapter. The amount of any such reimbursement shall be credited as reimbursable receipts to current applicable appropriations, funds, or accounts of such agency and shall be available for, and under the authority applicable to, the purposes for which such appropriations, funds, or accounts are authorized to be used, including the procurement of equipment and materials or services, required by such agency, in the same general category as those furnished by it or authorized to be procured by it and expenses arising from the incident to such procurement.

(d) In the case of any commodity, service, or facility procured from any United States Government agency under any provision of this Act other than

Approved For Release : CIA-RDP59-00224A000100370004-1

MUTUAL SECURITY ACT OF 1956

chapter 1 of title I, reimbursement or payment shall be made to such agency from funds available to carry out such provision. Such reimbursement or payment shall be at replacement cost, or, if required by law, at actual cost, or at any other price authorized by law and agreed to by the owning or disposal agency. The amount of any such reimbursement or payment shall be credited to current applicable appropriations, funds, or accounts from which there may be procured replacements of similar commodities, services, or facilities, except that where such appropriations, funds, or accounts are not reimbursable except by reason of this subsection, and when the owning agency determines that such replacement is not necessary, any funds received in payment therefor shall be covered into the Treasury as miscellaneous receipts.

(e) In furnishing assistance under this Act and in making surplus agricultural commodities available under section 402 accounts may be established on the books of any United States Government agency or, on terms and conditions approved by the Secretary of the Treasury, in banking institutions in the United States, against which (i) letters of commitment may be issued which shall constitute obligations of the United States, and monies due or to become due under such letters of commitment shall be assignable under the Assignment of Claims Act of 1940, as amended, and (ii) withdrawals may be made by recipient nations or agencies, organizations or persons upon presentation of contracts, invoices, or other appropriate documentation. Expenditure of funds which have been made available through accounts so established shall be accounted for on standard documentation required for expenditure of Government funds: *Provided*, That such expenditures for commodities or services procured outside the continental limits of the United States may be accounted for exclusively on such certification as may be prescribed in regulations approved by the Comptroller General of the United States.

(f) Any appropriation made to carry out the provisions of this Act may initially be charged, within the limits of available funds, to finance expenses for which funds are available in other appropriations made under this Act: *Provided*, That as of the end of the same fiscal year such expenses shall be finally charged to applicable appropriations with proper credit to the appropriations initially utilized for financing purposes.

SEC. 523. COORDINATION WITH FOREIGN POLICY.—(a) Nothing contained in this Act shall be construed to infringe upon the powers or functions of the Secretary of State.

(b) The President shall prescribe appropriate procedures to assure coordination among representatives of the United States Government in each country, under the leadership of the Chief of the United States Diplomatic Mission.

SEC. 524. THE SECRETARY OF DEFENSE.—(a) In the case of aid under chapter 1 of title I of this Act, the Secretary of Defense shall have primary responsibility for—

- (1) the determination of military end-item requirements;
- (2) the procurement of military equipment in a manner which permits its integration with service programs;
- (3) the supervision of end-item use by the recipient countries;
- (4) the supervision of the training of foreign military personnel;
- (5) the movement and delivery of military end-items; and
- (6) within the Department of Defense, the performance of any other functions with respect to the furnishing of military assistance.

(b) The establishment of priorities in the procurement, delivery, and allocation of military equipment shall be determined by the Secretary of Defense. The determination of the value of the program for any country under chapter 1 of title I shall be made by the President.

SEC. 525. FOREIGN OPERATIONS ADMINISTRATION.—Except as modified pursuant to this section or section 521, the Director of the Foreign Operations Administration (referred to in this chapter as the "Director") shall continue to perform the functions vested in him on the effective date of this Act, except insofar as such functions relate to continuous supervision and general direction of programs of military assistance. The President may transfer to any agency or officer of the United States, and may modify or abolish, any function, office, or entity of the Foreign Operations Administration (including any function, office or entity thereof transferred to any other agency) or any officer or employee thereof, and may transfer such personnel, property, records, and funds as may be necessary incident thereto: *Provided*, That such authority conferred by this sentence shall be exercised in accordance with applicable laws and regulations relating to the Civil Service and Veterans' Preference.

SEC. 526. MISSIONS AND STAFFS ABROAD.—The President may maintain special missions or staffs abroad in such nations and for such periods of time as may be necessary to carry out this Act. Each such special mission or staff shall be under the direction of a chief. The chief and his deputy shall be appointed by the President and may, notwithstanding any other law, be removed by the President at his discretion. The chief shall be entitled to receive (1) in cases approved by the President, the same compensation and allowances as a chief of mission, class 3, or a chief of mission, class 4, within the meaning of the Foreign Service Act of 1946 (22 U. S. C. 801), or (2) compensation and allowances in accordance with section 527 (e) of this Act, as the President shall determine to be appropriate. If a Foreign Service Officer shall be appointed by the President to a position under this section, the period of his service in such capacity shall be considered as constituting an assignment for duty within the meaning of section 571 of the Foreign Service Act of 1946, as amended, and such person shall not, by virtue of his acceptance of such an assignment, lose his status as a Foreign Service Officer.

SEC. 527. EMPLOYMENT OF PERSONNEL.—(a) Any United States Government agency performing functions under this Act is authorized to employ such personnel as the President deems necessary to carry out the provisions and purposes of this Act.

(b) Of the personnel employed in the United States on programs authorized by this Act, not to exceed sixty may be compensated without regard to the provisions of the Classification Act of 1949, as amended, of whom not to exceed thirty-five may be compensated at rates higher than those provided for grade 15 of the general schedule established by the Classification Act of 1949, as amended, and of these, not to exceed fifteen may be compensated at a rate in excess of the highest rate provided for grades of such general schedule but not in excess of \$15,000 per annum. Such positions shall be in addition to those authorized by law to be filled by Presidential appointment, and in addition to the number authorized by section 505 of the Classification Act of 1949, as amended.

(c) For the purpose of performing functions under this Act outside the continental limits of the United States, the Director may—

(1) employ or assign persons, or authorize the employment or assignment of officers or employees of other United States Government agencies, who shall receive compensation at any of the rates provided for the Foreign Service Reserve and Staff by the Foreign Service Act of 1946, as amended (22 U. S. C. 801), together with allowances and benefits established thereunder including, in all cases, post differentials prescribed under section 443 of the Foreign Service Act; and persons so employed or assigned shall be entitled to the same benefits as are provided by section 528 of the Foreign Service Act for persons appointed to the Foreign Service Reserve and, except for policy-making officials, the provisions of section 1005 of the Foreign Service Act shall apply in the case of such persons; and

(2) utilize such authority, including authority to appoint and assign personnel for the duration of operations under this Act, contained in the Foreign Service Act of 1946, as amended (22 U. S. C. 801), as the President deems necessary to carry out functions under this Act. Such provisions of the Foreign Service Act as the President deems appropriate shall apply to personnel appointed or assigned under this paragraph, including, in all cases, the provisions of sections 443 and 528 of that Act.

(d) For the purpose of performing functions under this Act outside the continental limits of the United States, the Secretary of State may, at the request of the Director, appoint for the duration of operations under this Act alien clerks and employees in accordance with applicable provisions of the Foreign Service Act of 1946, as amended (22 U. S. C. 801).

SEC. 528. DETAIL OF PERSONNEL TO FOREIGN GOVERNMENTS.—(a) Whenever the President determines it to be consistent with and in furtherance of the purposes of this Act, the head of any United States Government agency is authorized to detail or assign any officer or employee of this agency to any office or position to which no compensation is attached with any foreign government or foreign government agency: *Provided*, That such acceptance of office shall in no case involve the taking of an oath of allegiance to another government.

(b) Any such officer or employee, while so assigned or detailed, shall be considered, for the purpose of preserving his privileges, rights, seniority, or other benefits as such, an officer or employee of the Government of the United States and of the Government agency from which assigned or detailed, and he shall continue to receive compensation, allowances, and benefits from funds available to that agency or made available to that agency out of funds authorized under this Act.

Approved For Release : CIA-RDP59-00224A000100370004-1

MUTUAL SECURITY ACT OF 1956

77

SEC. 529. DETAIL OF PERSONNEL TO INTERNATIONAL ORGANIZATIONS.—(a) Whenever the President determines it to be consistent with and in furtherance of the purposes of this Act, the head of any United States Government agency is authorized to detail, assign, or otherwise make available to any international organization any officer or employee of his agency to serve with or as a member of the international staff of such organization, or to render any technical, scientific or professional advice or service to or in cooperation with such organization.

(b) Any such officer or employee, while so assigned or detailed, shall be considered, for the purpose of preserving his allowances, privileges, rights, seniority and other benefits as such, an officer or employee of the Government of the United States and of the Government agency from which detailed or assigned, and he shall continue to receive compensation, allowances, and benefits from funds available to that agency or made available to that agency out of funds authorized under this Act. He may also receive, under such regulations as the President may prescribe, representation allowances similar to those allowed under section 901 of the Foreign Service Act of 1946, as amended (22 U. S. C. 801). The authorization of such allowances and other benefits and the payment thereof out of any appropriations available therefor shall be considered as meeting all the requirements of section 1765 of the Revised Statutes.

(c) Details or assignments may be made under this section—

(1) without reimbursement to the United States by the international organization;

(2) upon agreement by the international organization to reimburse the United States for compensation, travel expenses, and allowances, or any part thereof payable to such officer or employee during the period of assignment or detail in accordance with subsection (b) of this section; and such reimbursement shall be credited to the appropriation, fund, or account utilized for paying such compensation, travel expenses, or allowances, or to the appropriation, fund, or account currently available for such purposes;

(3) upon an advance of funds, property, or services to the United States accepted with the approval of the President for specified uses in furtherance of the purposes of this Act; and funds so advanced may be established as a separate fund in the Treasury of the United States, to be available for the specified uses, and to be used for reimbursement of appropriations or direct expenditure subject to the provisions of this Act, any unexpended balance of such account to be returned to the international organization; or

(4) subject to the receipt by the United States of a credit to be applied against the payment by the United States of its share of the expenses of the international organization to which the officer or employee is detailed, such credit to be based upon the compensation, travel expenses and allowances, or any part thereof, payable to such officer or employee during the period of assignment or detail in accordance with subsection (b) of this section.

Sec. 530. EXPERTS AND CONSULTANTS OR ORGANIZATIONS THEREOF.—(a) Experts and consultants or organizations thereof, as authorized by section 15 of the Act of August 2, 1946 (5 U. S. C. 55a), may be employed by any United States Government agency for the performance of functions under this Act, and individuals so employed may be compensated at rates not in excess of \$75 per diem, and while away from their homes or regular places of business, they may be paid actual travel expenses and per diem in lieu of subsistence and other expenses at a rate not to exceed \$10 or at the applicable rate prescribed in the Standardized Government Travel Regulations, as amended from time to time, whichever is higher, while so employed within the continental limits of the United States and at the applicable rate prescribed in the Standardized Government Travel Regulations (Foreign Areas) while so employed outside the continental limits of the United States: *Provided, That contracts for such employment with such organizations may be renewed annually.*

(b) Persons of outstanding experience and ability may be employed without compensation by any United States Government agency for the performance of functions under this Act in accordance with the provisions of section 710 (b) of the Defense Production Act of 1950, as amended (50 U. S. C. App. 2160), and regulations issued thereunder.

Sec. 531. SECURITY CLEARANCE.—No citizen or resident of the United States may be employed, or if already employed, may be assigned to duties by the Director under this Act for a period to exceed three months unless—

(a) such individual has been investigated as to loyalty and security by the Civil Service Commission, or by the Federal Bureau of Investigation in the case of specific positions which have been certified by the Director as being

Approved For Release : CIA-RDP59-00224A000100370004-1
78 MUTUAL SECURITY ACT OF 1956

of a high degree of importance or sensitivity or in case the Civil Service Commission investigation develops data reflecting that the individual is of questionable loyalty, and a report thereon has been made to the Director, and until the Director has certified in writing (and filed copies thereof with the Senate Committee on Foreign Relations and the House Committee on Foreign Affairs) that, after full consideration of such report, he believes such individual is loyal to the United States, its Constitution, and form of government, and is not now and has never knowingly been a member of any organization advocating contrary views; or

(b) such individual has been investigated by a military intelligence agency and the Secretary of Defense has certified in writing that he believes such individual is loyal to the United States and filed copies thereof with the Senate Committee on Foreign Relations and the House Committee on Foreign Affairs.

This section shall not apply in the case of any officer appointed by the President by and with the advice and consent of the Senate, nor shall it apply in the case of any person already employed under programs covered by this Act who has been previously investigated in connection with such employment.

Sec. 532. EXEMPTION OF PERSONNEL FROM CERTAIN FEDERAL LAWS.—(a) Service of an individual as a member of the Board established pursuant to section 308 of this Act or as an expert or consultant under section 530 (a) shall not be considered as service or employment bringing such individual within the provisions of title 18, U. S. C., section 281, 283 or 284, or of section 190 of the Revised Statutes (5 U. S. C. 99), or of any other Federal law imposing restrictions, requirements, or penalties in relation to the employment of persons, the performance of services, or the payment or receipt of compensation in connection with any claim, proceeding, or matter involving the United States, except insofar as such provisions of law may prohibit any such individual from receiving compensation in respect of any particular matter in which such individual was directly involved in the performance of such service; nor shall such service be considered as employment or holding of office or position bringing such individual within the provisions of section 6 of the Act of May 22, 1920, as amended (5 U. S. C. 715), section 212 of the Act of June 30, 1932, as amended (5 U. S. C. 59a), or any other Federal law limiting the reemployment of retired officers or employees or governing the simultaneous receipt of compensation and retired pay or annuities. *Contracts for the employment of retired military personnel as experts or consultants under section 530 (a) may be renewed annually, notwithstanding section 15 of the Act of August 2, 1946 (5 U. S. C. 55a).*

(b) Notwithstanding section 2 of the Act of July 31, 1894 (5 U. S. C. 62), which prohibits certain retired officers from holding certain office, any retired officer of any of the services mentioned in the Career Compensation Act of 1949 may hold any office or appointment under this Act or the Mutual Defense Assistance Control Act of 1951, but the compensation of any such retired officer shall be subject to the provisions of the Act of June 30, 1932 (5 U. S. C. 59a), which does not permit retired pay to be added to the compensation received as a civilian officer.

Sec. 533. WAIVERS OF CERTAIN FEDERAL LAWS.—Whenever the President determines it to be in furtherance of purposes declared in this Act, the functions authorized under this Act may be performed without regard to such provisions of law (other than the Renegotiation Act of 1951, as amended) regulating the making, performance, amendment, or modification of contracts and the expenditure of Government funds as the President may specify.

Sec. 534. REPORTS.—The President, from time to time while funds appropriated for the purpose of this Act continue to be available for obligation, shall transmit to the Congress reports covering each six months of operations, in furtherance of the purposes of this Act, except information the disclosure of which he deems incompatible with the security of the United States. Reports provided for under this section shall be transmitted to the Secretary of the Senate or the Clerk of the House of Representatives, as the case may be, if the Senate or the House of Representatives, as the case may be, is not in session. Such reports shall include detailed information on the implementation of sections 504, 413 (b), and 418 of this Act.

Sec. 535. COOPERATION WITH NATIONS AND INTERNATIONAL ORGANIZATIONS.—(a) The President is authorized to request the cooperation of or the use of the services and facilities of the United Nations, its organs and specialized agencies, or other international organizations, in carrying out the purposes of this Act, and may make payments by advancements or reimbursements, for such purposes, out of funds made available for the purposes of this Act, as may be necessary

Approved For Release : CIA-RDP59-00224A000100370004-1

therefor, to the extent that special compensation is usually required for such services and facilities: *Provided*, That nothing in this section shall be construed to authorize the delegation to any international or foreign organization or agency of authority to decide the method of furnishing assistance under this Act to any country or the amount thereof.

(b) ~~Whenever the President determines it to be in furtherance of the purposes of this Act, United States Government agencies, on request of international organizations, are authorized to furnish supplies, materials, and services, on an advance of funds or reimbursement basis, to such organizations. Such advances or reimbursements may be credited to the current applicable appropriation or fund of the agency concerned and shall be available for the purposes for which such appropriations and funds are authorized to be used.~~ *Whenever the President determines it to be in furtherance of the purposes of this Act, United States Government agencies, on request of international organizations, are authorized to furnish supplies, materials, and services, and on request of nations, are authorized to furnish non-military supplies, materials, and services, to such organizations and nations on an advance of funds or reimbursement basis. Such advances or reimbursements which are received under this subsection within one hundred eighty days after the close of the fiscal year in which such supplies, materials, and services are delivered, may be credited to the current applicable appropriation or fund of the agency concerned and shall be available for the purposes for which such appropriations and funds are authorized to be used.*

SEC. 536. JOINT COMMISSION ON RURAL RECONSTRUCTION IN CHINA.—The President is authorized to continue to participate in the Joint Commission on Rural Reconstruction in China and to appoint citizens of the United States to the Commission.

SEC. 537. PROVISIONS ON USES OF FUNDS.—

(a) *Appropriations for the purposes of this Act (except for chapter 1 of title I and section 124), allocations to any United States Government agency, from other appropriations, for functions directly related to the purposes of this Act, and funds made available for other purposes to any agency administering nonmilitary assistance, shall, except as may subsequently be otherwise provided by law, be available for the purposes specified in section 102 of the Mutual Security Appropriation Act, 1956 (subject each fiscal year to the limitations on the amounts of funds which can be used for such purposes), in section 2 of Public Law 495, Eighty-third Congress (with respect to the remains of persons or members of the families of persons who may die while away from their homes participating in activities under this Act or other Acts directly related to the purposes of this Act), and in section 902 of the Foreign Service Act of 1946, as amended (with respect to chiefs of mission appointed pursuant to section 526 of this Act), and for the purchase of passenger motor vehicles: Provided, That passenger motor vehicles for administrative purposes may be purchased only as specified in section 102 of the Mutual Security Appropriation Act, 1956, or as specifically otherwise provided by law.*

(b) *United States Government agencies are authorized to pay the costs of health and accident insurance for foreign participants in any exchange-of-persons program or any program of furnishing technical information and assistance administered by any such agency while such participants are en route or absent from their homes for purposes of participation in any such program.*

CHAPTER 3. REPEAL AND MISCELLANEOUS PROVISIONS

SEC. 541. EFFECTIVE DATE.—This Act shall take effect on the date of its enactment.

SEC. 542. STATUTES REPEALED.—(a) There are hereby repealed—

- (1) an Act to provide for assistance to Greece and Turkey, approved May 22, 1947, as amended;
- (2) the joint resolution to provide for relief assistance to the people of countries devastated by war, approved May 31, 1947, as amended;
- (3) the Foreign Aid Act of 1947;
- (4) the Foreign Assistance Act of 1948, as amended; including the Economic Cooperation Act of 1948, as amended, the International Children's Emergency Fund Assistance Act of 1948, as amended, the Greek-Turkish Assistance Act of 1948, and the China Aid Act of 1948, as amended;
- (5) the Mutual Defense Assistance Act of 1949, as amended;
- (6) the Foreign Economic Assistance Act of 1950, as amended; including the Economic Cooperation Act of 1950, the China Area Aid Act of 1950, as amended, the United Nations Palestine Refugee Aid Act of 1950, and the Act for International Development, as amended;

Approved For Release : CIA-RDP59-00224A000100370004-1

- (7) the Far Eastern Economic Assistance Act of 1950, as amended;
- (8) the Yugoslav Emergency Relief Assistance Act of 1950;
- (9) the Mutual Security Act of 1951, as amended;
- (10) the Mutual Security Act of 1952;
- (11) the Mutual Security Act of 1953;
- (12) section 12 of the joint resolution of Congress approved November 4, 1939 (54 Stat. 10; 22 U. S. C. 452);
- (13) section 4 of the Act of March 3, 1925 (50 Stat 887; 50 U. S. C. 165);
- and
- (14) section 968 of title 18, United States Code.

(b) References in other Acts to the Acts listed in subsection (a) shall hereafter be considered to be references to the appropriate provisions of this Act.

(c) The repeal of the Acts listed in subsection (a) shall not be deemed to affect amendments contained in such Acts to acts not named in subsection (a).

SEC. 543. SAVING PROVISIONS.—

(a) Except as may be expressly provided to the contrary in this Act, all determinations, authorizations, regulations, orders, contracts, agreements, and other actions issued, undertaken or entered into under authority of any provision of law repealed by section 542 shall continue in full force and effect until modified by appropriate authority.

(b) Where provisions of this Act establish conditions which must be complied with before use may be made of authority contained in or funds authorized by this Act, compliance with substantially similar conditions under Acts named in section 542 shall be deemed to constitute compliance with the conditions established by this Act.

(c) No person in the service or employment of the United States or otherwise performing functions under an Act repealed by section 542 or under section 408 shall be required to be reappointed or reemployed by reason of the entry into force of this Act, except that appointments made pursuant to section 110 (a) (2) of the Economic Co-operation Act of 1948, as amended, shall be converted to appointments under section 527 (c) of this Act.

SEC. 544. AMENDMENTS TO OTHER LAWS.—(a) Title X of the United States Information and Educational Exchange Act of 1948, as amended (22 U. S. C. 1431), is amended by adding the following new section:

“INFORMATIONAL MEDIA GUARANTIES

“SEC. 1011. The Director of the United States Information Agency may make guaranties, in accordance with the provisions of subsection (b) of section 413 of the Mutual Security Act of 1954, of investments in enterprises producing or distributing informational media consistent with the national interests of the United States against funds heretofore made available by notes issued to the Secretary of the Treasury pursuant to section 111 (c) (2) of the Economic Cooperation Act of 1948, as amended, for purposes of guaranties of investments: *Provided, however,* That the amount of such guaranties in any fiscal year shall be determined by the President but shall not exceed \$10,000,000.”

(b) Section 1 of Public Law 283, Eighty-first Congress is repealed. The Institute of Inter-American Affairs, created pursuant to Public Law 369, Eightieth Congress (22 U. S. C. 281), shall have succession until June 30, 1960, and may make contracts for periods not to exceed five years: *Provided, That any contract extending beyond June 30, 1960, shall be made subject to termination by the said Institute upon notice: And provided further, That the said Institute shall, on and after July 1, 1954, be subject to the applicable provisions of the Budget and Accounting Act, 1921, as amended (31 U. S. C. 1), in lieu of the provisions of the Government Corporation Control Act, as amended (31 U. S. C. 841).*

(c) *In section 4 of the Act of May 26, 1949 (63 Stat. 111, 5 U. S. C. 151c) insert after the words “such functions” the following: “, including if he shall so specify the authority successively to redelegate any of such functions.”*

(d) *In the first sentence of section 32 (b) (2) of the Surplus Property Act of 1944, as amended (50 U. S. C. App. 1641 (b) (2)), after “any agency thereof”, insert “including amounts received in repayment of principal or interest on any loan made under section 505 (b) of the Mutual Security Act of 1954, as amended”.*

(e) *Section 933 of the Foreign Service Act of 1946, as amended (22 U. S. C. 1148), is hereby amended by inserting after “continental United States” where it appears in both subsection (a) and subsection (b) of that section “, its Territories and possessions.”.*

Approved For Release : CIA-RDP59-00224A000100370004-1
MUTUAL SECURITY ACT OF 1956

81

(f) Section 1441 (c) of the Internal Revenue Code of 1954 is hereby amended by inserting after paragraph (5) the following new paragraph:

"(6) PER DIEM OF CERTAIN ALIENS. -No deduction or withholding under subsection (a) shall be required in the case of amounts of per diem for subsistence paid by the United States Government (directly or by contract) to any non-resident alien individual who is engaged in any program of training in the United States under the Mutual Security Act of 1954, as amended."

(g) Section 1011 of the United States Information and Educational Exchange Act of 1948, as amended (22 U. S. C. 1442), is amended by inserting "(a)" before "The Director", by deleting everything after the words "national interests of the United States", by inserting a period at that point, and by inserting the following new subsections:

"(b) The Director is authorized to assume the obligation of not to exceed \$28,000,000 of the notes authorized to be issued pursuant to subsection 111 (c) (2) of the Economic Cooperation Act of 1948, as amended (22 U. S. C. 1509 (c) (2)), (together with the interest accrued and unpaid thereon) and to obtain advances from time to time from the Secretary of the Treasury up to such amount, less amounts previously advanced on such notes, as provided for in said notes. Such advances shall be deposited in a special account in the Treasury available for payments under informational media guaranties.

"(c) The Director is authorized to make informational media guaranties without regard to the limitations of time contained in subsection 413 (b) (4) of the Mutual Security Act of 1954, as amended (22 U. S. C. 1933 (b) (4)), but the total of such guaranties outstanding at any one time shall not exceed the sum of the face amount of the notes assumed by the Director less the amounts previously advanced on such notes by the Secretary of the Treasury plus the amount of the funds in the special account referred to in subsection (b).

"(d) Foreign currencies available after June 30, 1955, from conversions made pursuant to the obligation of informational media guaranties may be sold, in accordance with Treasury Department regulations, for dollars which shall be deposited in the special account and shall be available for payments under new guaranties.

"(e) Notwithstanding the provisions of subparagraph 413 (b) (4) (E) of the Mutual Security Act of 1954, as amended (22 U. S. C. 1933 (b) (4) (E)), (1) fees collected for the issuance of informational media guaranties shall be deposited in the special account and shall be available for payments under informational media guaranties; and (2) the Director may require the payment of a minimum charge of up to fifty dollars for issuance of guaranty contracts, or amendments thereto.

"(f) The Director is further authorized, under such terms as he may prescribe, to make advance payments under informational media guaranties: Provided, That currencies receivable from holders of such guaranties on account of such advance payments shall be paid to the United States within nine months from the date of the advance payment and that appropriate security to assure such payments is required before any advance payment is made.

"(g) As soon as feasible after the enactment of this section, all assets, liabilities, income, expenses, and charges of whatever kind pertaining to informational media guaranties, including any charges against the authority to issue notes provided in section 111 (c) (2) of the Economic Cooperation Act of 1948, as amended, cumulative from the enactment of that Act, shall be accounted for separately from other guaranties issued pursuant to subsection 413 (b) of the Mutual Security Act of 1954, as amended (22 U. S. C. 1933 (b)): Provided, That there shall be transferred from the special account established pursuant to subsection (a) into the account available for payments under guaranties other than informational media guaranties, an amount equal to the total of the fees received for the issuance of guaranties other than informational media guaranties, and used to make payments under informational media guaranties."

SEC. 545. DEFINITIONS.—For the purposes of this Act—

(a) The term "commodity" includes any commodity, material, article, supply, or goods.

(b) The term "surplus agricultural commodity" means any agricultural commodity or product thereof, class, kind, type, or other specification thereof, produced in the United States either publicly or privately owned, which is in excess of domestic requirements, adequate carryover, and anticipated exports for dollars, as determined by the Secretary of Agriculture.

(c) The terms "equipment" and "materials" shall mean any arms, ammunition, or implements of war, or any other type of material, article, raw material, facility, tool, machine, supply or item that would further the purpose of chapter 1 of title I, or any component or part thereof, used or required for use in connection therewith, or required in or for the manufacture, production, processing, storage, trans-

Approved For Release : CIA-RDP59-00224A000100370004-1

82

MUTUAL SECURITY ACT OF 1956

portation, repair, or rehabilitation of any equipment or materials, but shall not include merchant vessels.

(d) The term "mobilization reserve," as used with respect to any equipment or materials, means the quantity of such equipment or materials determined by the Secretary of Defense under regulations prescribed by the President to be required to support mobilization of the Armed Forces of the United States in the event of war or national emergency until such time as adequate additional quantities of such equipment or materials can be procured.

(e) The term "excess," as used with respect to any equipment or materials, means the quantity of such equipment or materials owned by the United States which is in excess of the mobilization reserve of such equipment or materials.

(f) The term "services" shall include any service, repair, training of personnel, or technical or other assistance or information necessary to effectuate the purposes of this Act.

(g) The term "Armed Forces of the United States" shall include any component of the Army of the United States, of the United States Navy, of the United States Marine Corps, of the Air Force of the United States, of the United States Coast Guard, and the Reserve components thereof.

(h) The term "value" means—

(1) with respect to any excess equipment or materials furnished under chapter 1 of title I the gross cost of repairing, rehabilitating, or modifying such equipment or materials prior to being so furnished;

(2) with respect to any nonexcess equipment or materials furnished under chapter 1 of title I which are taken from the mobilization reserve (other than equipment or materials referred to in paragraph (3) of this subsection), the actual or the projected (computed as accurately as practicable) cost of procuring for the mobilization reserve an equal quantity of such equipment or materials or an equivalent quantity of equipment or materials of the same general type but deemed to be more desirable for inclusion in the mobilization reserve than the equipment or materials furnished;

(3) with respect to any nonexcess equipment or materials furnished under chapter 1 of title I which are taken from the mobilization reserve but with respect to which the Secretary of Defense has certified that it is not necessary fully to replace such equipment or materials in the mobilization reserve, the gross cost to the United States of such equipment and materials or its replacement cost, whichever the Secretary of Defense may specify; and

(4) with respect to any equipment or materials furnished under chapter 1 of title I which are procured for the purpose of being so furnished, the gross cost to the United States of such equipment and materials.

In determining the gross cost incurred by any agency in repairing, rehabilitating, or modifying any excess equipment furnished under chapter 1 of title I, all parts, accessories, or other materials used in the course of repair, rehabilitation, or modification shall be priced in accordance with the current standard pricing policies of such agency. For the purpose of this subsection, the gross cost of any equipment or materials taken from the mobilization reserve means either the actual gross cost to the United States of that particular equipment or materials or the estimated gross cost to the United States of that particular equipment or materials obtained by multiplying the number of units of such particular equipment or materials by the average gross cost of each unit of that equipment and materials owned by the furnishing agency. Notwithstanding the foregoing provisions of this subsection (h) and for the purpose of establishing a more equitable pricing system for transactions between the military departments and the Mutual Defense Assistance Program, the Secretary of Defense shall prescribe at the earliest practicable date, through appropriate pricing regulations of uniform applicability, that the term "value" (except in the case of excess equipment or materials) shall mean—

(1) the price of equipment or materials obtaining for similar transactions between the Armed Forces of the United States; or

(2) where there are no similar transactions within the meaning of paragraph (1), the gross cost to the United States adjusted as appropriate for condition and market value.

(i) The term "United States Government agency" means any department, agency, board, wholly or partly owned corporation, or instrumentality, commission, or establishment of the United States Government.

(j) The term "agency administering nonmilitary assistance" shall refer to any agency to which authorities and functions under chapter 3 of title I, title II, title III, or title IV of this Act are delegated or assigned pursuant to authority contained in sections 521 and 525 of this Act.

(k) The term "officer administering nonmilitary assistance" shall refer to any officer to whom authorities and functions under chapter 3 of title I, title II, title III, or title IV of this Act are delegated or assigned pursuant to authority contained in sections 521 and 525 of this Act.

SEC. 546. CONSTRUCTION.—(a) If any provisions of this Act or the application of any provision to any circumstances or persons shall be held invalid, the validity of the remainder of the Act and applicability of such provision to other circumstances or persons shall not be affected thereby.

(b) Nothing in this Act shall alter, amend, revoke, repeal, or otherwise affect the provisions of the Atomic Energy Act of 1946, as amended (42 U. S. C. 1801).

(c) Nothing in this Act is intended nor shall it be construed as an expressed or implied commitment to provide any specific assistance, whether of funds, commodities, or services, to any nation or nations, or to any international organization.

SEC. 547. REDUCTION OF AUTHORIZATIONS.—Notwithstanding the foregoing provisions of this Act, such provisions shall not be construed to authorize the appropriation for the fiscal year 1955, for the purposes of titles I, II, and IV of this Act, of amounts (exclusive of unexpended balances of prior appropriations authorized to be continued available under such provisions) aggregating in excess of \$2,918,040,000.

SEC. 548. UNEXPENDED BALANCES.—Unexpended balances of funds [heretofore] made available under authority of this Act are hereby authorized to be continued available for the general purposes for which appropriated, and may be consolidated with appropriations made available beginning in fiscal year [1956] 1957 for the same general purposes under the authority of this Act. [Provided, however, That unexpended balances in excess of \$200,000,000 not obligated by June 30, 1955, in accordance with the provisions of section 1311 of the Supplemental Appropriation Act, 1955 (Public Law 663, Eighty-third Congress), or reserved in accordance with the provisions of section 110 of the Mutual Security Appropriation Act, 1955 (Public Law 778, Eighty-third Congress), are not authorized to be continued available after such date.]

SEC. 549. (a) STATEMENT OF CONGRESSIONAL POLICY.—It is the sense of the Congress that inasmuch as—

(1) the United States, through mutual security programs, has made substantial contributions to the economic recovery and rehabilitation of the nations of western Europe;

(2) due in part to those programs, it has been possible for such nations to achieve complete economic recovery and to regain their military strength; and

(3) certain other friendly nations of the world remain in need of assistance in order that they may defend themselves against aggression and contribute to the security of the free world,

those nations that have been assisted in their recovery should, in the future, share with the United States to a greater extent the financial burden of providing aid to those countries which are still in need of assistance of the type provided under this Act.

(b) It is the sense of the Congress that assistance under this Act shall be administered so as to assist other peoples in their efforts to achieve self-government or independence under circumstances which will enable them to assume an equal station among the free nations of the world and to fulfill their responsibilities for self-government or independence.

SEC. 550. SPECIAL PROVISION ON AVAILABILITY OF FUNDS.—An amount equal to 25 per centum of the funds authorized to be appropriated for any fiscal year for purposes of chapter 3 of title I, title III, or section 403 of this Act is authorized to be continued available for three months beyond the end of the fiscal year for which appropriated.

PUBLIC LAW 174--79TH CONGRESS, AS AMENDED

JOINT RESOLUTION Providing for membership of the United States in the Food and Agriculture Organization of the United Nations.

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the President is hereby authorized to accept membership for the United States in the Food and Agriculture Organization of the United Nations (hereinafter referred to as the "Organization") the Constitution of which is set forth in appendix I of the First Report to the Governments of the United Nations by the Interim Commission on Food and Agriculture, dated August 1, 1944.

Approved For Release : CIA-RDP59-00224A000100370004-1

84

MUTUAL SECURITY ACT OF 1956

Sec. 2. There is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, a sum not exceeding \$625,000 during the first fiscal year of the Organization and sums not exceeding **[\$2,000,000]** \$3,000,000 annually thereafter as may be required for expenditure under the direction of the Secretary of State for the payment by the United States of its proportionate share in the expenses of the Organization.

Sec. 3. In adopting this joint resolution, it is the sense of the Congress that the Government of the United States should use its best efforts to bring about, as soon as practicable, the integration of the functions and the resources of the International Institute of Agriculture with those of the Organization, in a legal and orderly manner, to effect one united institution in such form as to provide an adequate research, informational, and statistical service for the industry of agriculture.

Sec. 4. Unless Congress by law authorizes such action, neither the President nor any person or agency shall on behalf of the United States accept any amendment under paragraph 1 of article XX of the Constitution of the Organization involving any new obligation for the United States.

Sec. 5. In adopting this joint resolution the Congress does so with the understanding that paragraph 2 of article XIII does not authorize the Conference of the Organization to so modify the provisions of its Constitution as to involve any new obligation for the United States.

SECTION 4 OF THE ACT OF MAY 26, 1949 (5 U. S. C. 151c)

Sec. 4. The Secretary of State may promulgate such rules and regulations as may be necessary to carry out the functions now or hereafter vested in the Secretary of State or the Department of State, and he may delegate authority to perform any of such **[functions to]** functions, including if he shall so specify the authority successively to redelegate any of such functions, to officers and employees under his direction and supervision.

SECTION 32 (b) (2) OF THE SURPLUS PROPERTY ACT OF 1944, AS AMENDED (50 U. S. C. APP. 1641)

(2) In carrying out the provisions of this section, the Secretary of State is hereby authorized to enter into an executive agreement or agreements with any foreign government for the use of currencies, or credits for currencies, of such government held or available for expenditure by the United States or any agency **[thereof (or)]** *including amounts received in repayment of principal or interest on any loan made under section 505 (b) of the Mutual Security Act of 1954, as amended (or deposited pursuant to agreements entered into pursuant to section 115 (b) (6) and 115 (h) of the Economic Cooperation Act of 1948, as amended),* and not required by law or agreement with such government to be expended or used for any other purpose, for the purpose of providing, by the formation of foundations or otherwise, for (A) financing studies, research, instruction, and other educational activities of or for American citizens in schools and institutions of higher learning located in such foreign country, or of the citizens of such foreign country in American schools and institutions of higher learning located outside the continental United States, Hawaii, Alaska (including the Aleutian Islands), Puerto Rico, and the Virgin Islands, including payment for transportation, tuition, maintenance, and other expenses incident to scholastic activities; or (B) furnishing transportation for citizens of such foreign country who desire to attend American schools and institutions of higher learning in the continental United States, Hawaii, Alaska (including the Aleutian Islands), Puerto Rico, and the Virgin Islands, and whose attendance will not deprive citizens of the United States of an opportunity to attend such schools and institutions: *Provided, however,* That no such agreement or agreements shall provide for the use of an aggregate amount of the currencies, or credits for currencies, of any one country in excess of \$20,000,000 or for the expenditure of the currencies, or credits for currencies, of any one foreign country in excess of \$1,000,000 annually at the official rate of exchange for such currencies, unless otherwise authorized by Congress, nor shall any such agreement relate to any subject other than the use and expenditure of such currencies or credits for currencies for the purposes herein set forth: *Provided further,* That for the purpose of selecting students and educational institutions qualified to participate in this program, and to supervise

the exchange program authorized herein, the President of the United States is hereby authorized to appoint a Board of Foreign Scholarships, consisting of ten members, who shall serve without compensation, composed of representatives of cultural, educational, student and war veterans groups, and including representatives of the United States Office of Education, the United States Veterans' Administration, State educational institutions, and privately endowed educational institutions: *And Provided further*, That in the selection of American citizens for study in foreign countries under this paragraph preference shall be given to applicants who shall have served in the military or naval forces of the United States during World War I or World War II, and due consideration shall be given to applicants from all geographical areas of the United States. The Secretary of State shall transmit to the Congress not later than the 1st day of March of each year a report of operations under this paragraph during the preceding calendar year. Such report shall include the text of any agreements which have been entered into hereunder during the preceding calendar year, and shall specify the names and addresses of American citizens who are attending schools or institutions of higher learning in foreign countries pursuant to such agreements, the names and locations of such schools and institutions, and the amounts of the currencies or credits for currencies expended for any of the purposes under this paragraph in each such foreign country during the preceding calendar year.

SECTION 933 OF THE FOREIGN SERVICE ACT OF 1946 (22 U. S. C. 1148)

ORDERING RETURN OF PERSONNEL TO UNITED STATES ON LEAVES OF ABSENCE

SEC. 933. (a) The Secretary shall order to the continental United [States on] States, its Territories and possessions, on statutory leave of absence every officer and employee of the Service who is a citizen of the United States upon completion of two years' continuous service abroad or as soon as possible thereafter.

(b) While in the continental United [States on] States, its Territories and possessions, on leave, the service of any officer or employee shall be available for such work or duties in the Department or elsewhere as the Secretary may prescribe, but the time of such work or duties shall not be counted as leave.

SECTION 1441 (c) OF THE INTERNAL REVENUE CODE OF 1954

SEC. 1441. WITHHOLDING OF TAX ON NONRESIDENT ALIENS.

(a) * * *

* * * * *

(c) **EXCEPTIONS.**—

(1) **DIVIDENDS OF FOREIGN CORPORATIONS.**—No deduction or withholding under subsection (a) shall be required in the case of dividends paid by a foreign corporation unless (A) such corporation is engaged in trade or business within the United States, and (B) more than 85 percent of the gross income of such corporation for the 3-year period ending with the close of its taxable year preceding the declaration of such dividends (or for such part of such period as the corporation has been in existence) was derived from sources within the United States as determined under part I of subchapter N of chapter 1.

(2) **OWNER UNKNOWN.**—The Secretary or his delegate may authorize the tax under subsection (a) to be deducted and withheld from the interest upon any securities the owners of which are not known to the withholding agent.

(3) **BONDS WITH EXTENDED MATURITY DATES.**—The deduction and withholding in the case of interest on bonds, mortgages, or deeds of trust or other similar obligations of a corporation, within subsections (a), (b), and (c) of section 1451 were it not for the fact that the maturity date of such obligations has been extended on or after January 1, 1934, and the liability assumed by the debtor exceeds 27½ percent of the interest, shall not exceed the rate of 27½ percent per annum.

(4) **COMPENSATION OF CERTAIN ALIENS.**—Under regulations prescribed by the Secretary or his delegate, there may be exempted from deduction and withholding under subsection (a) the compensation for personal services of nonresident alien individuals who enter and leave the United States at frequent intervals.

Approved For Release : CIA-RDP59-00224A000100370004-1
86 MUTUAL SECURITY ACT OF 1956

(5) SPECIAL ITEMS.—In the case of amounts described in section 402 (a) (2), section 631 (b) and (c), and section 1235, which are considered to be gains from the sale or exchange of capital assets, the amount required to be deducted and withheld shall, if the amount of such gain is not known to the withholding agent, be such amount, not exceeding 30 percent of the proceeds from such sale or exchange, as may be necessary to assure that the tax deducted and withheld shall not be less than 30 percent of such gain.

(6) *PER DIEM OF CERTAIN ALIENS.*—*No deduction or withholding under subsection (a) shall be required in the case of amounts of per diem for subsistence paid by the United States Government (directly or by contract) to any non-resident alien individual who is engaged in any program of training in the United States under the Mutual Security Act of 1954, as amended.*

SECTION 1011 OF THE UNITED STATES INFORMATION AND EDUCATIONAL EXCHANGE ACT OF 1948, AS AMENDED (22 U. S. C. 1442)

INFORMATIONAL MEDIA GUARANTIES

SEC. 1011. (a) The Director of the United States Information Agency may make guaranties, in accordance with the provisions of subsection (b) of section 413 of the Mutual Security Act of 1954, of investments in enterprises producing or distributing informational media consistent with the national interests of the United States [against funds heretofore made available by notes issued to the Secretary of the Treasury pursuant to section 111 (c) (2) of the Economic Cooperation Act of 1948, as amended, for purposes of guaranties of investments: *Provided, however, That the amount of such guaranties in any fiscal year shall be determined by the President but shall not exceed \$10,000,000.*].

(b) *The Director is authorized to assume the obligation of not to exceed \$28,000,000 of the notes authorized to be issued pursuant to subsection 111 (c) (2) of the Economic Cooperation Act of 1948, as amended (22 U. S. C. 1509 (c) (2)), together with the interest accrued and unpaid thereon, and to obtain advances from time to time from the Secretary of the Treasury up to such amount, less amounts previously advanced on such notes, as provided for in said notes. Such advances shall be deposited in a special account in the Treasury available for payments under informational media guaranties.*

(c) *The Director is authorized to make informational media guaranties without regard to the limitations of time contained in subsection 413 (b) (4) of the Mutual Security Act of 1954, as amended (22 U. S. C. 1933 (b) (4)), but the total of such guaranties outstanding at any one time shall not exceed the sum of the face amount of the notes assumed by the Director less the amounts previously advanced on such notes by the Secretary of the Treasury plus the amount of the funds in the special account referred to in subsection (b).*

(d) *Foreign currencies available after June 30, 1955, from conversions made pursuant to the obligation of informational media guaranties may be sold, in accordance with Treasury Department regulations, for dollars which shall be deposited in the special account and shall be available for payments under new guaranties.*

(e) *Notwithstanding the provisions of subparagraph 413 (b) (4) (E) of the Mutual Security Act of 1954, as amended (22 U. S. C. 1933 (b) (4) (E)), (1) fees collected for the issuance of informational media guaranties shall be deposited in the special account and shall be available for payments under informational media guaranties; and (2) the Director may require the payment of a minimum charge of up to fifty dollars for issuance of guaranty contracts, or amendments thereto.*

(f) *The Director is further authorized, under such terms as he may prescribe, to make advance payments under informational media guaranties: *Provided, That currencies receivable from holders of such guaranties on account of such advance payments shall be paid to the United States within nine months from the date of the advance payment and that appropriate security to assure such payments is required before any advance payment is made.**

(g) *As soon as feasible after the enactment of this section, all assets, liabilities, income, expenses, and charges of whatever kind pertaining to informational media guaranties, including any charges against the authority to issue notes provided in section 111 (c) (2) of the Economic Cooperation Act of 1948, as amended, cumulative from the enactment of that Act, shall be accounted for separately from other guaranties issued pursuant to subsection 413 (b) of the Mutual Security Act of 1954, as amended (22 U. S. C. 1933 (b)): *Provided, That there shall be transferred from the special**

account established pursuant to subsection (a) into the account available for payments under guaranties other than informational media guaranties, an amount equal to the total of the fees received for the issuance of guaranties other than informational media guaranties, and used to make payments under informational media guaranties.

OTHER PROVISIONS OF EXISTING LAW REFERRED TO IN
THE PROPOSED BILL.

AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT OF 1954
(7 U. S. C. 1691 ET SEQ.)

AN ACT To increase the consumption of United States agricultural commodities in foreign countries, to improve the foreign relations of the United States, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Agricultural Trade Development and Assistance Act of 1954".

SEC. 2. It is hereby declared to be the policy of Congress to expand international trade among the United States and friendly nations, to facilitate the convertibility of currency, to promote the economic stability of American agriculture and the national welfare, to make maximum efficient use of surplus agricultural commodities in furtherance of the foreign policy of the United States, and to stimulate and facilitate the expansion of foreign trade in agricultural commodities produced in the United States by providing a means whereby surplus agricultural commodities in excess of the usual marketings of such commodities may be sold through private trade channels, and foreign currencies accepted in payment therefor. It is further the policy to use foreign currencies which accrue to the United States under this Act to expand international trade, to encourage economic development, to purchase strategic materials, to pay United States obligations abroad, to promote collective strength, and to foster in other ways the foreign policy of the United States.

TITLE I—SALES FOR FOREIGN CURRENCY

SEC. 101. In furtherance of this policy, the President is authorized to negotiate and carry out agreements with friendly nations or organizations of friendly nations to provide for the sale of surplus agricultural commodities for foreign currencies. In negotiating such agreements the President shall—

(a) take reasonable precautions to safeguard usual marketings of the United States and to assure that sales under this Act will not unduly disrupt world prices of agricultural commodities;

(b) take appropriate steps to assure that private trade channels are used to the maximum extent practicable both with respect to sales from privately owned stocks and from stocks owned by the Commodity Credit Corporation;

(c) give special consideration to utilizing the authority and funds provided by this Act, in order to develop and expand continuous market demand abroad for agricultural commodities, with appropriate emphasis on underdeveloped and new market areas;

(d) seek and secure commitments from participating countries that will prevent resale or transhipment to other countries, or use for other than domestic purposes, of surplus agricultural commodities purchased under this Act, without specific approval of the President; and

(e) afford any friendly nation the maximum opportunity to purchase surplus agricultural commodities from the United States, taking into consideration the opportunities to achieve the declared policy of this Act and to make effective use of the foreign currencies received to carry out the purposes of this Act.

SEC. 102. (a) For the purpose of carrying out agreements concluded by the President hereunder the Commodity Credit Corporation, in accordance with regulations issued by the President pursuant to subsection (b) of this section, (1) shall make available for sale hereunder to domestic exporters surplus agricultural commodities heretofore or hereafter acquired by the Corporation in the administration of its price-support operations, and (2) shall make funds available to finance the sale and exportation of surplus agricultural commodities, whether from private stocks or from stocks of the Commodity Credit Corporation. In

supplying such commodities to exporters under this subsection the Commodity Credit Corporation shall not be subject to the sales price restrictions in section 407 of the Agricultural Act of 1949, as amended. The commodity set-aside established for any commodity under section 101 of the Agricultural Act of 1954 (68 Stat. 897) shall be reduced by a quantity equal to the quantity of such commodity financed hereunder which is exported from private stocks.

(b) In order to facilitate and maximize the use of private channels of trade in carrying out agreements entered into pursuant to this Act, the President may, under such regulations and subject to such safeguards as he deems appropriate, provide for the issuance of letters of commitment against funds or guaranties of funds supplied by the Commodity Credit Corporation and for this purpose accounts may be established on the books of any department, agency, or establishment of the Government, or on terms and conditions approved by the Secretary of the Treasury in banking institutions in the United States. Such letters of commitment, when issued, shall constitute obligations of the United States and moneys due or to become due thereunder shall be assignable under the Assignment of Claims Act of 1940. Expenditures of funds which have been made available through accounts so established shall be accounted for on standard documentation required for expenditures of Government funds.

SEC. 103. (a) For the purpose of making payment to the Commodity Credit Corporation to the extent the Commodity Credit Corporation is not reimbursed under section 105 for commodities disposed of and costs incurred under titles I and II of this Act, there are hereby authorized to be appropriated such sums as are equal to (1) the Corporation's investment in commodities made available for export under this title and title II of this Act, including processing, packaging, transportation, and handling costs, and (2) all costs incurred by the Corporation in making funds available to finance the exportation of surplus agricultural commodities pursuant to this title. Any funds or other assets available to the Commodity Credit Corporation may be used in advance of such appropriation or payments, for carrying out the purposes of this Act.

(b) Transactions shall not be carried out under this title which will call for appropriations to reimburse the Commodity Credit Corporation, pursuant to subsection (a) of this section, in amounts in excess of \$1,500,000,000. This limitation shall not be apportioned by year or by country, but shall be considered as an objective as well as a limitation, to be reached as rapidly as possible so long as the purposes of this Act can be achieved within the safeguards established.

SEC. 104. Notwithstanding section 1415 of the Supplemental Appropriation Act, 1953, or any other provision of law, the President may use or enter into agreements with friendly nations or organizations of nations to use the foreign currencies which accrue under this title for one or more of the following purposes:

(a) To help develop new markets for United States agricultural commodities on a mutually benefiting basis;

(b) To purchase or contract to purchase strategic and critical materials, within the applicable terms of the Strategic and Critical Materials Stockpile Act, for a supplemental United States stockpile of such materials as the President may determine from time to time under contracts, including advance payment contracts, for supply extending over periods up to ten years. All strategic and critical materials acquired under authority of this title shall be placed in the above named supplemental stockpile and may be additional to the amounts acquired under authority of the Strategic and Critical Materials Stockpile Act. Materials so acquired shall be released from the supplemental stockpile only under the provisions of section 3 of the Strategic and Critical Materials Stockpile Act;

(c) To procure military equipment, materials, facilities, and services for the common defense;

(d) For financing the purchase of goods or services for other friendly countries;

(e) For promoting balanced economic development and trade among nations;

(f) To pay United States obligations abroad;

(g) For loans to promote multilateral trade and economic development, made through established banking facilities of the friendly nation from which the foreign currency was obtained or in any other manner which the President may deem to be appropriate. Strategic materials, services, or foreign currencies may be accepted in payment of such loans;

(h) For the financing of international educational exchange activities under the programs authorized by section 32 (b) (2) of the Surplus Property Act of 1944, as amended (50 U. S. C. App. 1641 (b)).

Approved For Release : CIA-RDP59-00224A000100370004-1

Provided, however, That section 1415 of the Supplemental Appropriation Act, 1953, shall apply to all foreign currencies used for grants under subsections (d) and (e) and for payment of United States obligations involving grants under subsection (f) and to not less than 10 per centum of the foreign currencies which accrue under this title: *Provided, however,* That the President is authorized to waive such applicability of section 1415 in any case where he determines that it would be inappropriate or inconsistent with the purposes of this title.

SEC. 105. Foreign currencies received pursuant to this title shall be deposited in a special account to the credit of the United States and shall be used only pursuant to section 104 of this title, and any department or agency of the government using any of such currencies for a purpose for which funds have been appropriated shall reimburse the Commodity Credit Corporation in an amount equivalent to the dollar value of the currencies used.

SEC. 106. As used in this Act, "surplus agricultural commodity" shall mean any agricultural commodity or product thereof, class, kind, type, or other specification thereof, produced in the United States, either privately or publicly owned, which is or may be reasonably expected to be in excess of domestic requirements, adequate carryover, and anticipated exports for dollars, as determined by the Secretary of Agriculture. The Secretary of Agriculture is also authorized to determine the nations with whom agreements shall be negotiated, and to determine the commodities and quantities thereof which may be included in the negotiations with each country after advising with other agencies of Government affected and within broad policies laid down by the President for implementing this Act.

SEC. 107. As used in this Act, "friendly nation" means any country other than (1) the U. S. S. R., or (2) any nation or area dominated or controlled by the foreign government or foreign organization controlling the world Communist movement.

SEC. 108. The President shall make a report to Congress with respect to the activities carried on under this Act at least once each six months and at such other times as may be appropriate and such reports shall include the dollar value, at the exchange rates in effect at the time of the sale, of the foreign currency for which commodities exported pursuant to section 102 (a) hereof are sold.

SEC. 109. No transactions shall be undertaken under authority of this title after June 30, 1957, except as required pursuant to agreements theretofore entered into pursuant to this title.

TITLE II--FAMINE RELIEF AND OTHER ASSISTANCE

SEC. 201. In order to enable the President to furnish emergency assistance on behalf of the people of the United States to friendly peoples in meeting famine or other urgent relief requirements, the Commodity Credit Corporation shall make available to the President out of its stocks such surplus agricultural commodities (as defined in section 106 of title I) f. o. b. vessels in United States ports, as he may request, for transfer (1) to any nation friendly to the United States in order to meet famine or other urgent relief requirements of such nation, and (2) to friendly but needy populations without regard to the friendliness of their government.

SEC. 202. The President may authorize the transfer on a grant basis of surplus agricultural commodities from Commodity Credit Corporation stocks to assist programs undertaken with friendly governments or through voluntary relief agencies: *Provided,* That the President shall take reasonable precaution that such transfers will not displace or interfere with sales which might otherwise be made.

SEC. 203. Not more than \$300,000,000 (including the Corporation's investment in the commodities) shall be expended for all transfers, including delivery on board vessels in United States ports, under this title. The President may make such transfers through such agencies including intergovernmental organizations, in such manner, and upon such terms and conditions as he deems appropriate; he shall make use of the facilities of voluntary relief agencies to the extent practicable.

SEC. 204. No programs of assistance shall be undertaken under the authority of this title after June 30, 1957.

TITLE III--GENERAL PROVISIONS

SEC. 301. Section 407 of the Agricultural Act of 1949 is amended by adding at the end thereof the following: "Notwithstanding the foregoing, the Corporation, on such terms and conditions as the Secretary may deem in the public interest,

Approved For Release : CIA-RDP59-00224A000100370004-1
90 MUTUAL SECURITY ACT OF 1956

shall make available any farm commodity or product thereof owned or controlled by it for use in relieving distress (1) in any area in the United States declared by the President to be an acute distress area because of unemployment or other economic cause if the President finds that such use will not displace or interfere with normal marketing of agricultural commodities and (2) in connection with any major disaster determined by the President to warrant assistance by the Federal Government under Public Law 875, Eighty-first Congress, as amended (42 U. S. C. 1855). Except on a reimbursable basis, the Corporation shall not bear any costs in connection with making such commodity available beyond the cost of the commodities to the Corporation in store and the handling and transportation costs in making delivery of the commodity to designated agencies at one or more central locations in each State."

SEC. 302. Section 416 of the Agricultural Act of 1949 is amended to read as follows:

"SEC. 416. In order to prevent the waste of commodities acquired through price-support operations by the Commodity Credit Corporation before they can be disposed of in normal domestic channels without impairment of the price-support program or sold abroad at competitive world prices, the Commodity Credit Corporation is authorized, on such terms and under such regulations as the Secretary may deem in the public interest: (1) upon application, to make such commodities available to any Federal agency for use in making payment for commodities not produced in the United States; (2) to barter or exchange such commodities for strategic or other materials as authorized by law; (3) in the case of food commodities to donate such commodities to the Bureau of Indian Affairs and to such State, Federal, or private agency or agencies as may be designated by the proper State or Federal authority and approved by the Secretary, for use in the United States in nonprofit school-lunch programs, in the assistance of needy persons, and in charitable institutions, including hospitals, to the extent that needy persons are served; and (4) to donate any such food commodities in excess of anticipated disposition under (1), (2), and (3) above to nonprofit voluntary agencies registered with the Committee on Voluntary Foreign Aid of the Foreign Operations Administration or other appropriate department or agency of the Federal Government and intergovernmental organizations for use in the assistance of needy persons outside the United States. In the case of (3) and (4) above the Secretary shall obtain such assurance as he deems necessary that the recipients thereof will not diminish their normal expenditures for food by reason of such donation. In order to facilitate the appropriate disposal of such commodities, the Secretary may from time to time estimate and announce the quantity of such commodities which he anticipates will become available for distribution under (3) and (4) above. The Commodity Credit Corporation may pay, with respect to commodities disposed of under this section, reprocessing, packaging, transporting, handling, and other charges accruing up to the time of their delivery to a Federal agency or to the designated State or private agency, in the case of commodities made available for use within the United States, or their delivery free alongside ship or free on board export carrier at point of export, in the case of commodities made available for use outside the United States. For the purpose of this section the terms 'State' and 'United States' include the District of Columbia and any Territory or possession of the United States."

SEC. 303. Whenever the Secretary has reason to believe that, in addition to other authorized methods and means of disposing of agricultural commodities owned by the Commodity Credit Corporation, there may be opportunity to protect the funds and assets of the Commodity Credit Corporation by barter or exchange of such agricultural commodities for (a) strategic materials entailing less risk of loss through deterioration or substantially less storage charges, or (b) materials, goods or equipment required in connection with foreign economic and military aid and assistance programs, or (c) materials or equipment required in substantial quantities for offshore construction programs, he is hereby directed to use every practicable means, in cooperation with other Government agencies, to arrange and make, through private trade channels, such barter or exchanges or to utilize the authority conferred on him by section 4 (h) of the Commodity Credit Corporation Charter Act, as amended, to make such barter or exchanges. Agencies of the United States Government procuring such materials, goods or equipment are hereby directed to cooperate with the Secretary in the disposal of surplus agricultural commodities by means of barter or exchange. Strategic materials so acquired by the Commodity Credit Corporation shall be considered as assets of the Corporation and other agencies of the Government, in purchasing strategic materials, shall purchase such materials from Commodity Credit Corporation inventories to the extent available in fulfillment of their requirements.

Approved For Release : CIA-RDP59-00224A000100370004-1

The Secretary is also directed to assist, through such means as are available to him, farmers' cooperatives in effecting exchange of agricultural commodities in their possession for strategic materials.

Sec. 304. The President shall exercise the authority contained herein (1) to assist friendly nations to be independent of trade with the U. S. S. R. or nations dominated or controlled by the U. S. S. R. for food, raw materials and markets, and (2) to assure that agricultural commodities sold or transferred hereunder do not result in increased availability of those or like commodities to unfriendly nations.

Sec. 305. All Commodity Credit Corporation stocks disposed of under title II of this Act and section 416 of the Agricultural Act of 1949, as amended, shall be clearly identified by, as far as practical, appropriate marking on each package or container as being furnished by the people of the United States of America.

SECTIONS 111 (B) (3) AND 111 (C) (2) OF THE ECONOMIC COOPERATION ACT OF 1948 (22 U. S. C. 1509)

SEC. 111. (a) * * *

* * * * *

(b) In order to facilitate and maximize the use of private channels of trade, subject to adequate safeguards to assure that all expenditures in connection with such procurement are within approved programs in accordance with terms and conditions established by the Administrator, he may provide for the performance of any of the functions described in subsection (a) of this section—

(1) * * *

* * * * *

(3) by making, under rules and regulations to be prescribed by the Administrator, guaranties to any person of investments in connection with projects, including expansion, modernization, or development of existing enterprises, approved by the Administrator and the participating country concerned as furthering the purposes of this title (including guaranties of investments in enterprises producing or distributing informational media consistent with the national interests of the United States: *Provided*, That the amount of such guaranties made in any fiscal year does not exceed \$10,000,000), which guaranties shall be limited to terms not exceeding twenty years from the date of issuance: *Provided*, That—

(i) the guaranty to any person shall not exceed the amount of dollars invested in the project by such person with the approval of the Administrator plus actual earnings or profits on said project to the extent provided by such guaranty;

(ii) the Administrator shall charge a fee in an amount determined by him not exceeding 1 per centum per annum of the amount of each guaranty under clause (1) of subparagraph (v), and not exceeding 4 per centum per annum of the amount of each guaranty under clause (2) of such subparagraph, and all fees collected hereunder shall be available for expenditure in discharge of liabilities under guaranties made under this paragraph until such time as all such liabilities have been discharged or have expired, or until all such fees have been expended in accordance with the provisions of this paragraph; and

(iii) as used in this paragraph, the term "person" means a citizen of the United States or any corporation, partnership, or other association created under the law of the United States or of any State or Territory and substantially beneficially owned by citizens of the United States.

(iv) as used in this paragraph, the term "investment" includes (A) any contribution of capital goods, materials, equipment, services, patents, processes, or techniques by any person in the form of a loan or loans to any enterprise to be conducted within a participating country, (B) the purchase of a share of ownership in any such enterprise, (C) participation in royalties, earnings, or profits of any such enterprise, and (D) the furnishing of capital goods items and related services pursuant to a contract providing for payment in whole or in part after the end of the fiscal year in which the guaranty of such investment is made; and

(v) the guaranty to any person shall be limited to assuring one or both of the following: (1) The transfer into United States dollars of

Approved For Release : CIA-RDP59-00224A000100370004-1
92 MUTUAL SECURITY ACT OF 1956

other currencies, or credits in such currencies received by such person, as earnings or profits from the approved project, as repayment or return of the investment therein, in whole or in part, or as compensation for the sale or disposition of all or any part thereof; and (2) the compensation in United States dollars for loss of all or any part of the investment in the approved project which shall be found by the Administrator to have been lost to such person by reason of expropriation or confiscation by action of the government of a participating country. When any payment is made to any person pursuant to a guaranty as hereinbefore described, the currency, credits, asset, or investment on account of which such payment is made shall become the property of the United States Government, and the United States Government shall be subrogated to any right, title, claim, or cause of action existing in connection therewith.

It being the intent of the Congress that the guaranty herein authorized should be used to the maximum practicable extent and so administered as to increase the participation of private enterprise in achieving the purposes of this Act, the Administrator is authorized to issue guarantees up to a total of \$200,000,000: *Provided*, That any funds allocated to a guaranty and remaining after all liability of the United States assumed in connection therewith has been released, discharged, or otherwise terminated, shall be available for allocation to other guaranties, the foregoing limitation notwithstanding. Any payments made to discharge liabilities under guarantees issued under paragraph (3) of this subsection shall be paid out of fees collected under subparagraph (ii) of paragraph (3) of this subsection as long as such fees are available, and thereafter shall be paid out of funds realized from the sale of notes which shall be issued under authority of paragraph (2) of subsection (c) of this section when necessary to discharge liabilities under any such guaranty.

(c) (1) * * *

* * * * *

(2) When it is determined that assistance should be extended under the provisions of this title on credit terms, the Administrator shall allocate funds for the purpose to the Export-Import Bank of Washington, which shall, notwithstanding the provisions of Export-Import Bank Act of 1945 (59 Stat. 526), as amended, make and administer the credit on terms specified by the Administrator in consultation with the National Advisory Council on International Monetary and Financial Problems. The Administrator is authorized to issue notes from time to time for purchase by the Secretary of the Treasury in an amount not exceeding the aggregate \$1,000,000,000 (i) for the purpose of allocating funds to the Export-Import Bank of Washington under this paragraph during the period of one year following the date of enactment of this Act, and (ii) for the purpose of carrying out the provisions of paragraph (3) of subsection (b) of this section until all liabilities arising under guarantees made pursuant to such paragraph (3) have expired or have been discharged. In addition to the amount of notes above authorized, the Administrator is authorized, for the purpose of carrying out the provisions of paragraph (3) of subsection (b) of this section, to issue notes from time to time for purchase by the Secretary of the Treasury in an amount not exceeding in the aggregate \$200,000,000 less any amount allocated prior to April 3, 1949, for such purpose, until all liabilities arising under guarantees made pursuant to this authorization have expired or been discharged. The notes hereinabove authorized shall be redeemable at the option of the Administrator before maturity in such manner as may be stipulated in such notes and shall have such maturity as may be determined by the Administrator with the approval of the Secretary of the Treasury. Each such note shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average rate of outstanding marketable obligations of the United States as of the last day of the month preceding the issuance of the note. Payment under this paragraph of the purchase price of such notes and repayments therefrom by the Administrator shall be treated as public-debt transactions of the United States. In allocating funds to the Export-Import Bank of Washington for assistance on credit terms under this paragraph, the Administrator shall first utilize such funds realized from the sale of notes authorized by this paragraph as he determines to be available for this purpose, and when such funds are exhausted, or after the end of one year from the date of enactment of this Act, whichever is earlier, he shall utilize any funds appropriated under this title. The Administrator shall make advances to, or reimburse, the Export-Import Bank of Washington for necessary

Approved For Release : CIA-RDP59-00224A000100370004-1

MUTUAL SECURITY ACT OF 1956

administrative expenses in connection with such credits. Credits made by the Export-Import Bank of Washington with funds so allocated to it by the Administrator shall not be considered in determining whether the Bank has outstanding at any one time loans and guaranties to the extent of the limitation imposed by section 7 of the Export-Import Bank Act of 1945 (59 Stat. 529), as amended. Amounts received in repayment of principal and interest on any credits made under this paragraph shall be deposited into miscellaneous receipts of the Treasury: *Provided*, That, to the extent required for such purpose, amounts received in repayment of principal and interest on any credits made out of funds realized from the sale of notes authorized under this paragraph shall be deposited into the Treasury for the purpose of the retirement of such notes.

SECTION 3679 OF THE REVISED STATUTES (31 U. S. C. 665)

SEC. 3679. (a) No officer or employee of the United States shall make or authorize an expenditure from or create or authorize an obligation under any appropriation or fund in excess of the amount available therein; nor shall any such officer or employee involve the Government in any contract or other obligation, for the payment of money for any purpose, in advance of appropriations made for such purpose, unless such contract or obligation is authorized by law.

(b) No officer or employee of the United States shall accept voluntary service for the United States or employ personal service in excess of that authorized by law, except in cases of emergency involving the safety of human life or the protection of property.

(c) (1) Except as otherwise provided in this section, all appropriations or funds available for obligation for a definite period of time shall be so apportioned as to prevent obligation or expenditure thereof in a manner which would indicate a necessity for deficiency or supplemental appropriations for such period; and all appropriations or funds not limited to a definite period of time, and all authorizations to create obligations by contract in advance of appropriations, shall be so apportioned as to achieve the most effective and economical use thereof. As used hereafter in this section, the term "appropriation" means appropriations, funds, and authorizations to create obligations by contract in advance of appropriations.

(2) In apportioning any appropriation, reserves may be established to provide for contingencies, or to effect savings whenever savings are made possible by or through changes in requirements, greater efficiency of operations, or other developments subsequent to the date on which such appropriation was made available. Whenever it is determined by an officer designated in subsection (d) of this section to make apportionments and reappportionments that any amount so reserved will not be required to carry out the purposes of the appropriation concerned, he shall recommend the rescission of such amount in the manner provided in the Budget and Accounting Act, 1921, for estimates of appropriations.

(3) Any appropriation subject to apportionment shall be distributed by months, calendar quarters, operating seasons, or other time periods, or by activities, functions, projects, or objects, or by a combination thereof, as may be deemed appropriate by the officers designated in subsection (d) of this section to make apportionments and reappportionments. Except as otherwise specified by the officer making the apportionment, amounts so apportioned shall remain available for obligation, in accordance with the terms of the appropriation, on a cumulative basis unless reapportioned.

(4) Apportionments shall be reviewed at least four times each year by the officers designated in subsection (d) of this section to make apportionments and reappportionments, and such reappportionments made or such reserves established, modified, or released as may be necessary to further the effective use of the appropriation concerned, in accordance with the purposes stated in paragraph (1) of this subsection.

(d) (1) Any appropriation available to the legislative branch, the judiciary, or the District of Columbia, which is required to be apportioned under subsection (c) of this section, shall be apportioned or reapportioned in writing by the officer having administrative control of such appropriation. Each such appropriation shall be apportioned not later than thirty days before the beginning of the fiscal year for which the appropriation is available, or not more than thirty days after approval of the Act by which the appropriation is made available, whichever is later.

Approved For Release : CIA-RDP59-00224A000100370004-1
94 MUTUAL SECURITY ACT OF 1956

(2) Any appropriation available to an agency, which is required to be apportioned under subsection (c) of this section, shall be apportioned or reapportioned in writing by the Director of the Bureau of the Budget. The head of each agency to which any such appropriation is available shall submit to the Bureau of the Budget information, in such form and manner and at such time or times as the Director may prescribe, as may be required for the apportionment of such appropriation. Such information shall be submitted not later than forty days before the beginning of any fiscal year for which the appropriation is available, or not more than fifteen days after approval of the Act by which such appropriation is made available, whichever is later. The Director of the Bureau of the Budget shall apportion each such appropriation and shall notify the agency concerned of his action not later than twenty days before the beginning of the fiscal year for which the appropriation is available, or not more than thirty days after the approval of the Act by which such appropriation is made available, whichever is later. When used in this section, the term "agency" means any executive department, agency, commission, authority, administration, board, or other independent establishment in the executive branch of the Government, including any corporation wholly or partly owned by the United States which is an instrumentality of the United States. Nothing in this subsection shall be so construed as to interfere with the initiation, operation, and administration of agricultural price support programs and no funds (other than funds for administrative expenses, available for price support, surplus removal, and available under Section 32 of the Act of August 24, 1935, as amended (7 U. S. C. 612 (c)), with respect to agricultural commodities shall be subject to apportionment pursuant to this section. The provisions of this section shall not apply to any corporation which obtains funds for making loans, other than paid in capital funds, without legal liability on the part of the United States.

(e) (1) No apportionment or reapportionment which, in the judgment of the officer making such apportionment or reapportionment, would indicate a necessity for a deficiency or supplemental estimate shall be made except upon a determination by such officer that such action is required because of (A) any laws enacted subsequent to the transmission to the Congress of the estimates for an appropriation which require expenditures beyond administrative control; or (B) emergencies involving the safety of human life, the protection of property, or the immediate welfare of individuals in cases where an appropriation has been made to enable the United States to make payment of, or contributions toward, sums which are required to be paid to individuals either in specific amounts fixed by law or in accordance with formulae prescribed by law.

(2) In each case of an apportionment or a reapportionment which, in the judgment of the officer making such apportionment or reapportionment, would indicate a necessity for a deficiency or supplemental estimate, such officer shall immediately submit a detailed report of the facts of the case to the Congress. In transmitting any deficiency or supplemental estimates required on account of any such apportionment or reapportionment, reference shall be made to such report.

(f) (1) The officers designated in subsection (d) of this section to make apportionments and reapportionments may exempt from apportionments trust funds and working funds expenditures from which have no significant effect on the financial operations of the Government, working capital and revolving funds established for intragovernmental operations, receipts from industrial and power operations available under law and any appropriation made specifically for—

- (1) interest on, or retirement of, the public debt;
- (2) payment of claims, judgments, refunds, and draw-backs;
- (3) any item determined by the President to be of a confidential nature;
- (4) payment under private relief Acts or other laws requiring payments to designated payees in the total amount of such appropriation;
- (5) grants to the States under title I, IV, or X of the Social Security Act, or under any other public assistance title in such Act.

(2) The provisions of subsection (e) of this section shall not apply to appropriations to the Senate or House of Representatives or to any Member, committee, Office (including the office of the Architect of the Capitol), officer, or employee thereof.

(g) Any appropriation which is apportioned or reapportioned pursuant to this section may be divided and subdivided administratively within the limits of such apportionments or reapportionments. The officer having administrative control of any such appropriation available to the legislative branch, the judiciary, or the District of Columbia, and the head of each agency, subject to the approval of the Director of the Bureau of the Budget, shall prescribe, by regulation, a system of

Approved For Release : CIA-RDP59-00224A000100370004-1

MUTUAL SECURITY ACT OF 1956

administrative control (not inconsistent with any accounting procedures prescribed by or pursuant to law) which shall be designed to (A) restrict obligations or expenditures against each appropriation to the amount of apportionments or reallocations made for each such appropriation, and (B) enable such officer or agency head to fix responsibility for the creation of any obligation or the making of any expenditure in excess of an apportionment or reallocation.

(h) No officer or employee of the United States shall authorize or create any obligation or make any expenditure (A) in excess of an apportionment or reallocation, or (B) in excess of the amount permitted by regulations prescribed pursuant to subsection (g) of this section.

(i) (1) In addition to any penalty or liability under other law, any officer or employee of the United States who shall violate subsection (a), (b), or (h) of this section shall be subjected to appropriate administrative discipline, including, when circumstances warrant, suspension from duty without pay or removal from office; and any officer or employee of the United States who shall knowingly and willfully violate subsection (a), (b), or (h) of this section shall, upon conviction, be fined not more than \$5,000 or imprisoned for not more than two years, or both.

(2) In the case of a violation of subsection (a), (b), or (h) of this section by an officer or employee of an agency, or of the District of Columbia, the head of the agency concerned or the Commissioners of the District of Columbia, shall immediately report to the President, through the Director of the Bureau of the Budget, and to the Congress all pertinent facts together with a statement of the action taken thereon.

SECTION 3732 OF THE REVISED STATUTES (41 U. S. C. 11)

SEC. 3732. No contract or purchase on behalf of the United States shall be made, unless the same is authorized by law or is under an appropriation adequate to its fulfilment, except in the Army, Navy and Air Force Departments, for clothing, subsistence, forage, fuel, quarters, transportation, or medical and hospital supplies, which, however, shall not exceed the necessities of the current year.

SECTION 15 OF THE ACT OF AUGUST 2, 1946 (5 U. S. C. 55A)

SEC. 15. The head of any department, when authorized in an appropriation or other Act, may procure the temporary (not in excess of one year) or intermittent services of experts or consultants or organizations thereof, including stenographic reporting services, by contract, and in such cases such service shall be without regard to the civil-service and classification laws (but as to agencies subject to the Classification Act at rates not in excess of the per diem equivalent of the highest rate payable under the Classification Act, unless other rates are specifically provided in the appropriation or other law) and, except in the case of stenographic reporting services by organizations, without regard to section 3709, Revised Statutes, as amended by this Act.

SECTION 2. PUBLIC LAW 495, 83D CONGRESS

Sec. 2. The Secretary is authorized to provide for the recovery, care and disposition of the remains of persons within the classes enumerated in section 3 hereof and, incident thereto, to pay the necessary expenses incurred for (a) notification to the next of kin or other appropriate person; (b) recovery and identification of remains; (c) preparation of remains for burial (including cremation of remains, upon request of the person recognized as the one to direct the disposition of the remains); (d) furnishing of a casket or urn, or both, with outside box; (e) hearse service; (f) funeral director's services; (g) transportation of remains and an escort of one person, including round-trip transportation and prescribed allowances for such escort, to the town or city, or national or other cemetery, designated by the person recognized as the person to direct the disposition of the remains or, in the absence of such designation, to a national or other cemetery designated by the Secretary in which burial of the deceased is authorized; (h) furnishing of a uniform or other articles of clothing; (i) presentation of a flag of the United States to the person recognized as the one to direct the dis-

Approved For Release : CIA-RDP59-00224A000100370004-1
96 **MUTUAL SECURITY ACT OF 1956**

position of the remains, except that the presentation of a flag shall not be authorized in the case of a military prisoner who dies while in his custody and whose sentence includes a discharge other than honorable; and (j) interment of remains.

SECTION 902 OF THE FOREIGN SERVICE ACT OF 1946

ALLOTMENT FOR OFFICIAL RESIDENCE OF CHIEF AMERICAN REPRESENTATIVE

SEC. 902. The Secretary may, under such regulations as he may prescribe, make an allotment of funds to any post to defray the unusual expenses incident to the operation and maintenance of an official residence suitable for the chief representative of the United States at that post.

SUPPLEMENTAL VIEWS

We feel that the entire mutual security program is long overdue for review. It has been estimated that the net cost of United States aid abroad since the end of World War II, including the administration's requested authorization for fiscal 1957, is well in excess of \$60 billion. Of this, approximately one-third has been in military aid and two-thirds in other forms. About 60 percent has gone to Europe, roughly 10 percent to the Middle East, nearly 25 percent to Asia, and the remainder to other areas.

In spite of these vast outlays of the past, the Administration increased its request for funds this year. According to the Joint Committee on Non-essential Federal Expenditures, the program's unexpended balance as of July 1, 1956, will be about \$6.6 billion. Added to the administration's requested authorization of \$4.6 billion, this would give a total of \$11.2 billion. Expenditures during the coming fiscal year have been estimated at \$4.3 billion, which would result in an unexpended balance at the end of fiscal 1957 of almost \$7 billion or an increase in the so-called pipeline of about \$400 million.

We commend the Committee on Foreign Affairs for reducing the administration request by approximately \$1.1 billion. Not only did we vote for these reductions, but the amendments that made most of these cuts possible we initiated and argued for during the committee's consideration.

Frankly, we feel that the reduction in foreign military assistance could have been deeper without crippling the program. However, as Chairman Richards said in his statement of April 27, " * * * the Congress may well regard the pending Mutual Security bill as only an interim measure". Therefore, with nearly two years' funds already in the pipeline at normal rate of expenditure, we believe that the sums recommended in this bill are ample until we know more about the direction in which the program will move and the emphasis that will be given to the various components of it.

We are also opposed to the inclusion of certain so-called neutralist countries such as Yugoslavia and India. In the first instance, Yugoslavia, a Communist country, has been drawing closer and closer to the Soviet orbit since the death of Stalin. We are opposed to aid to any Communist dictator as a matter of principle and we do not feel that the United States has any assurance that Tito would be on our side or would even remain neutral in the event of another war.

India, although only receiving economic assistance, also appears to be swinging more and more into line with Communist thinking. On almost all issues of foreign policy, she follows the Soviet and Chinese Communist line quite closely. Although the United States has given or loaned to India since 1950 nearly \$600 million, the United States has not achieved gratitude, friendship, cooperation or even genuine neutrality. We feel that our foreign policy, of which foreign aid is an arm, has failed in this instance.

Approved For Release : CIA-RDP59-00224A000100370004-1
98 MUTUAL SECURITY ACT OF 1956

The real danger in continuing to help such countries as India and Yugoslavia is the attraction which the United States places on neutralism, even of a technical variety. If the United States desires to win and to hold allies, it should not make it so advantageous or profitable for a country to be neutral. There is a very definite trend toward neutrality in the world today and this country appears to do nothing to discourage it.

We commend the committee for rejecting the concept of specific long-term commitments in the field of economic assistance which we think would have been a grave mistake if adopted. We also commend both the committee and the administration for not acting to channel a larger part of our economic assistance through the United Nations. Aid on a multilateral basis may be desirable in certain areas of the world on a limited basis, but in our opinion it would be inadvisable to remove all strings from large parts of our aid program at the present time.

We hope that much more emphasis can be placed upon doing all in our power to promote the use of American private investment capital abroad. Much more could and should be done to eliminate conditions in foreign countries where the atmosphere is presently hostile to such investment. Consideration might also be given to making counterpart funds available on a loan basis to American investors desirous of making foreign investments.

The Foreign Affairs Committee has improved this legislation to a point where we will be able to support it, although with specific reservations which we have attempted briefly to set forth. At the same time, we reserve the right to support any efforts on the floor of the House that will implement our views. We believe a mutual security program is necessary but feel very strongly that the Congress should never cease its efforts to improve the program.

ALVIN M. BENTLEY,
ARMISTEAD I. SELDEN, Jr.

○

Approved For Release : CIA-RDP59-00224A000100370004-1